ANNUAL REPORT 2012

For the year ended March 31, 2012

Sanken Electric Co., Ltd.

Profile

Sanken Electric Co., Ltd. began operations as a spin off from a research institute in 1946 conducting R&D activities in semiconductors, which was then a new field of electronics. Technology gained through these activities was used to manufacture a growing line of power supply products.

Having grown in tandem with the electronics industry since then, today Sanken Electric has forged a commanding presence as a manufacturer in the field of power electronics. This reputation enables the Company to offer customers high-quality solutions in power supplies and peripheral business domains that meet their diverse needs. Along with a focus on growth in its core business of semiconductor devices, Sanken Electric is determined to enhance the competitiveness of products for the fast-growing field of automotive electronics and energy-saving consumer products. Underpinned by an extensive track record and expertise gained over the years, Sanken Electric will strive to supply products that are more original and advanced than ever before, and consistently rise to meet any challenge by remaining a consummate innovator in power electronics.

Contents

Sanken at a Glance

As the market for "eco-friendly and energy-saving" products spreads to every corner of the world, stages upon which Sanken's advanced proprietary technology on power electronics and time-proven application-specific expertise do thrive will widen rapidly.

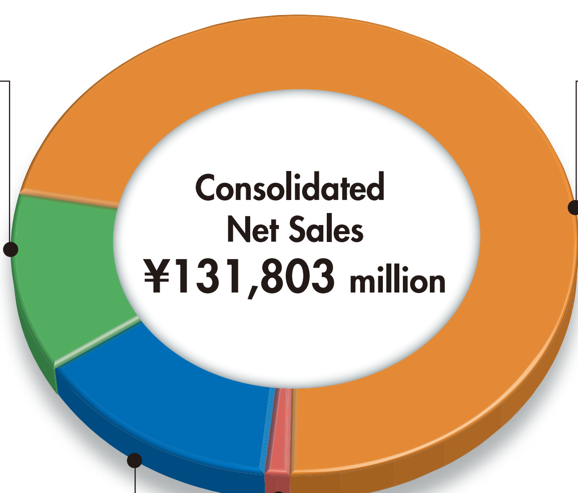
As the worldwide trend for achieving a low-carbon society gathers momentum, it is becoming increasingly clear that the "eco-friendly and energy-saving" solutions long pursued by Sanken Electric are in ever greater demand from various markets. For automobiles, for instance, noteworthy moves are surfacing as the use of electronic components is expanding, internal combustion cars are pressing for lower fuel consumption, and hybrid and electric vehicles are steadily on the rise. In white goods, inverters are finally making inroads, particularly in air conditioners. Furthermore, the use of natural energy, such as solar and wind power, as well as concepts such as the "Smart City", are spreading worldwide.

To bring to real life the potential of these novel ideas, the power electronics technology and expertise of Sanken and its affiliates are indispensible. Sanken has more than half century of experience in development, production and marketing of products that meet the "eco-friendly and energy-saving" needs of the market, and is now actively engaged in technological research and product development to achieve growth on a global scale.

Power solution technologies that are essential to the concept of "eco-friendly and energy-saving"

- Process technologies (power semiconductors, control ICs)
- Package technologies
- Circuit technologies
- Device technologies, etc.

Composition of consolidated net sales by business segment (FY 2011)



12.5% Power System Business

Main Products

- UPS (Uninterruptible Power Supplies)
- Inverters
- DC Power Supplies
- Instruments for New Energy Sources
- High-intensity Aircraft Warning Lights

13.7% Power Module Business

Main Products

- SMPS (Switching Mode Power Supplies)
- AC Adapters
- Transformers
- Reactors
- Modules

72.3% Semiconductor Device Business

Main Products

- Power ICs
- Hall-effect Sensors
- Driver ICs
- Transistors
- Diodes
- LEDs (Light Emitting Diodes)

1.5% CCFL Business

Main Products

- CCFLs (Cold Cathode Fluorescent Lamps)

Dear Fellow Shareholders

Sadatoshi Iijima, President
Sanken Electric Co., Ltd.

FY2011 Business Environment and Our Results

We are pleased to report that your Company has made a return to profitability in FY 2011, even though the business environment surrounding us was very difficult to cope with.

During FY2011 the world watched closely the development of the European debt crisis as it gave wide spread impact not only to Europe and North America but also to China and other Asian markets that consequently showed slow downs in their economic growth. The Japanese economy, which was already hit hard by the Great East Japan Earthquake in March 2011, also suffered from the European debt crisis. Worse still, the Thai floods in October 2011 put further downward pressure on the production of Japanese companies, while at the same time, the Japanese Yen traded at unprecedented high levels. All of these factors put a negative spin on the profitability of many of the Japanese companies.

Under these circumstances, we focused on putting into action a number of initiatives during FY 2011 based on two of the key strategic objectives of "sales expansion" and "harvesting the benefits of structural reforms." The unfavorable business environment resulted in consolidated revenue totaling ¥131.8 billion, a 9.0% drop from the previous fiscal year. On the other hand, we were able to post a ¥436 million consolidated net income for the year. This was effectively a ¥922 million turnaround from the previous fiscal year, and a long-waited effect realized out of the three-year effort carried out thus far on cost-structure reforms. The fact that we were able to turn a profit under this harsh business environment where multiple devastating blows happened in sequence underscores our ability to generate even greater profits in the future.

Key Management Initiatives Taken in FY2011

During FY 2011, the Company focused on its core semiconductor device business and pursued initiatives to capture more of the growing "eco-friendly and energy-saving" market and the "emerging country" market. We took a particular interest in developing expansion strategies that focused on the automotive and white goods sectors. As a result, we were able to record a year-on-year sales increase in the area of the automotive and white goods power devices, as well as magnetic sensor ICs for use in automobiles.

On the other hand, sales for devices used in televisions fell significantly as the demand for televisions globally continued to worsen. The Japanese television manufacturing industry in particular went through a year of sweeping change and each of its members implemented such drastic actions as down-sizing, integration or withdrawal from the TV business. This significant shift in the business environment prompted us to accelerate from FY 2012 onwards the efforts to rebuild our portfolio of businesses that is not susceptible to the fluctuations of the television industry.

Structural Reforms Executed

The Company has undertaken a series of structural reforms over the course of three years since it faced difficulties caused by "the Lehman Shock." From the fall of 2008 to the spring of 2010, we executed a few of emergency measures to reduce fixed costs. Such measures included the work force reduction of approximately 1,500 employees in Japan. In this way, as compared with pre-reform FY2007, we were able to establish an operating structure that shed approximately ¥10 billion in fixed costs.

The structural reforms implemented from the second half of FY2009 through the first half of FY 2011 consisted of various integration and restructuring efforts to reformulate fundamentally the Company's cost structure. At the same time, the Company worked to strengthen the basis for future sales growth, as exemplified by the capital investments in wafer fabrication and package assembly lines that manufactured ICs for use in the power conversion, automotive and white goods sectors. As a result, we were able to bring down the breakeven point by ¥30 billion as compared with FY2007. Today, we feel strongly that the Company is better positioned to generate profits as sales grow.

Basic Strategies for FY2012

In order to leverage some of the favorable changes in business environment, Sanken will aim to change strategically and drastically during FY 2012 its target markets, product lineups, customer composition, and focus countries.

First, we will retire from a business that rely heavily on the AV market, and move to a business that stresses the "eco-friendly and energy-saving" market and the "green energy" market. More specifically, we plan to emphasize our attempts on markets where we are able to utilize effectively our technological expertise in power devices and power systems to drive growth. Target sectors include automotive, white goods, industrial equipment, IT/mobile, LED lighting fixtures, data center computers and magnetic sensors, among others.

Second, although the Company traditionally employed a "custom-design" approach to making products based on specifications made available by our customers, we will now switch our directions to identifying market needs in advance and making "general purpose standardized products" with specifications generated by ourselves originated in such needs analyses. By doing so, we will be able to enter into high potential areas based on our own management decisions, create a market from scratch and capture larger share of expanding markets.

Finally, overseas markets, especially China, will be the growth areas for the Company in the coming years. Our plan is to increase the proportions of businesses conducted overseas, such as sales generated from overseas customers, and manufacturing processes, both front-end and back-end, operated overseas.

Structural Reforms Phase Two

The structural reforms that are underway to achieve medium-term objectives entered the second phase during the latter half of FY 2010 and are still being in the works today.

This second phase of structural reforms emphasizes two of our main thrusts. The first is to modify the Company's manufacturing facilities worldwide in response to the shift towards the new target markets of "eco-friendly and energy-saving" and "green energy." The second is to upgrade the Company's overseas manufacturing facilities, especially in Asia, in response to our goal to achieve overseas sales growth with particular focus on China.

Speaking specifically on our manufacturing platform in Asia, we completed the construction of a new semiconductor assembly plant for Dalian Sanken Electric Co., Ltd. Liaoning Province, China in February 2012 and commenced operations in April. With the new facility, Dalian Sanken will not only act as our manufacturing site in China, but in the future, it will take on additional functions such as the procurement center in China for parts and materials from Chinese local suppliers, and the Company's base for developing a new set of quality management skills and mechanisms required for a new era of overseas manufacturing. Moreover, staff members that gain experience at the Dalian facility will become great assets to the Company as we look to further expand our plant network into other parts of Asia.

Finally, after having seen an increase in demand for magnetic sensor ICs from the automotive industry, mainly as a result of the global shift towards more fuel-efficient, eco-friendly vehicles, Allegro MicroSystems, Inc. has begun preparations to build its second back-end assembly plant in Asia.

Organizational Change

As the Company redirects its business focus, it is appropriate to re-align our corporate organization to ensure that it is structured optimally to develop and penetrate markets in the coming years.

In the Engineering Headquarters, this means that the number of core strategic themes is dropped from 7 to 4: "Automotive", "Motion Control", "AC/DC" and "DC/DC". This is designed to develop uniform strategies for each of the market segments. With the "Sensor" business conducted by Allegro MicroSystems, Inc. included, the Company will look to actively develop new technologies and products in these 5 centers of technological innovation and product development.

In the Production Headquarters, various realignments are carried out in order to ensure that we have adequate organizational units to handle sales expansion and coordinate more overseas production and procurement. The most notable of such actions is the Company's new "Global Purchasing Department" within the Procurement Division.

Finally, the Sales Headquarters tries to strengthen the Device Marketing Division, the key unit for future product development and sales growth, to accurately capture the needs of our strategic markets; the "eco-friendly and energy-saving" and "green energy" markets. With this additional function, the Company will aim to carry out faster product launches in conjunction with the Engineering Headquarters.

Medium-Term Outlook

The last three years since "the Lehman Shock" of 2008 have seen a number of unfortunate events that have changed the fundamental framework of our business environment, including the contraction of the CCFL market, the European debt crisis, the Great East Japan Earthquake, the Thai floods, and the extremely strong Japanese Yen. What was unfortunate was the way these events occurred; they happened one after another, over a period of three years. As a result, the Company was heavily impacted by this series of events and posted results that were unimpressive during this period.

Nevertheless, the market globally is shifting its focus towards the theme of "eco-friendly and energy-saving", which are two areas that we are well positioned to pursue. Markets that are related to eco-friendly and energy-saving technologies are certain to grow, and this trend itself is quite favorable to the Company. With this in mind, the most important management issue in the near-term is to ensure that the Company is maximizing the benefit from this great opportunity and to keep the Company on a path to solid and continuing growth.

Various industries worldwide are looking at the huge potential of an "eco-friendly" society and in particular a widely discussed concept of "the Smart City." Under the current picture drawn on the concept, our Power Device and Power System technologies are going to become indispensable and applied to many areas. Foreseeing that this is happening, the Company, over the past few years, has been working to speed up technological development in the "eco-friendly and energy-saving" fields, introducing new applications in these fields, and improving our operating platforms. As a result of a few years' adjusting work on the new but very familiar fields, we feel that we are now able to make a full-fledged commitment to cultivate the "eco-friendly and energy saving" markets.

To our investors, we ask for your continued support for the Company and hope that you are excited as we are about the Company's growth in the future.

July 2012

Sadatoshi Iijima
President

Special Feature

Three "E"s of Power Electronics for the Next Stage of Sanken's Growth

Eco-Solutions × Expansion × Evolution

The Sanken Group is committed to drive its growth strategy, through its focus on "eco-friendly," "energy-saving" and "green energy" products, with its ultimate goal to raise its corporate stature to a truly global enterprise serving the world's needs for power electronics solutions.

The headline above summarizes the Company's fundamental corporate direction. First, Sanken has chosen "Power Electronics" as its basic management axis. Within this historical and strategic franchise, Sanken is now aiming to evolve into a corporation most adapted to the next change in business conditions, with such actions as application of its cutting-edge *eco-solution* technology, *expansion* into new markets on a global scale and *evolution* into a better, improved mode of technological innovation, efficient production, and effective sales activities, and most important of all, development and management of its human resources.

To achieve these objectives quickly and efficiently, the Company realigned its engineering development organization, by setting up four market-oriented units of "automotive devices," "motion control devices," "power conversion devices," and "regulator and module devices."

These four areas have been established in response to the markets with highest growth potential, backed as well by Sanken's own technological seeds of opportunities, in order to grasp global, macro-market changes accurately and to guide technological development in proper and timely manner.

The directions of technological development for each of these four businesses are described in the following chapters.

Pictured in this photograph is the Tokyo Sky Tree, completed on February 29, 2012. At 634 m, the structure claims to be the tallest in Japan and the highest stand-alone radio tower in the world. A few of Sanken Electric's products are installed in the tower, such as the high-intensity aircraft warning lights, and various types of uninterruptible power supplies, all of which came from Sanken's Power Systems business segment.

1 Automotive Device

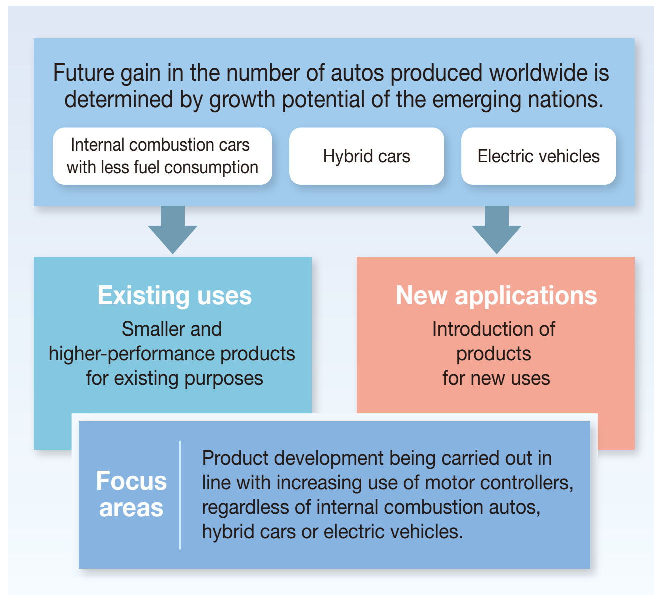
Prepared to meet soaring demand, with new products for new applications

The number of automobiles produced worldwide has grown to 60 million in 2011, 20 million larger than 10 years ago and is predicted to increase further in the coming years, driven mainly by car production in emerging nations of China, India and others. Simultaneous with this expansion, the percentage of environmentally friendly autos is expected to rise, as represented by internal combustion cars featuring lower fuel consumption technologies as well as new breed of hybrid and electric vehicles.

Automobiles have a long history of the use of electronic components in many functional areas, and Sanken Electric has been involved in the development and supply of products for such uses for a long time, including power train controls, battery charging, and safety and drivability improvements. For these products, Sanken is striving to achieve expansion substantially faster than the general market, with such distinctive attributes as smaller dimensions and higher performance.

In addition, to respond to the increasing number of environmentally friendly vehicles, the Sanken Group aims to create brand-new uses and stimulate demands, with such effort as introduction of innovative products for under-exploited applications.

In particular, as there is an increasing trend in demand for electronic motor control in cars, regardless of whether the cars are internal combustion autos, hybrid cars or electric vehicles, the Group is focusing its resources on the technological development of motor driver ICs.



Summary of growing automotive device lineup

Note: New areas are indicated in red

Electric Compressors (Air Conditioners)
- Motor Driver ICs
- Current Sensors

Electric Fan Motors
- Motor Driver ICs

Electric Power Steering
- Motor Driver ICs
- Current Sensors, Angle Sensors

Navi, Audio
- Regulator ICs

Switches, Relays
- Semiconductor Relay ICs
- Power Switch ICs

Seat Belts
- Position Sensors

Power Windows
- Position Sensors

Anti-lock Braking Systems (ABSs)
- Power Switch ICs
- Speed Sensors

Transmission
- Solenoid Driver ICs
- Power Switch ICs
- Speed Sensors, Position Sensors, Angle Sensors

Suspension Control
- Position Sensors

Electric Water Pumps Electric Oil Pumps
- Motor Driver ICs
- Current Sensors

EV/Hybrid
- AC/DC Converters for Charge
- Inverter Driver ICs
- IPM for Auxiliary Motors
- Current Sensors

Engines
- Cam Sensors
- Injector Control ICs
- Angle Sensors

Fuel Injectors
- Switching Transistors

Charge, Ignition
- Regulator ICs for Alternators
- Rectifier Diodes for Alternators
- Igniter ICs

Headlights
- HID Driver ICs
- Motor Driver ICs

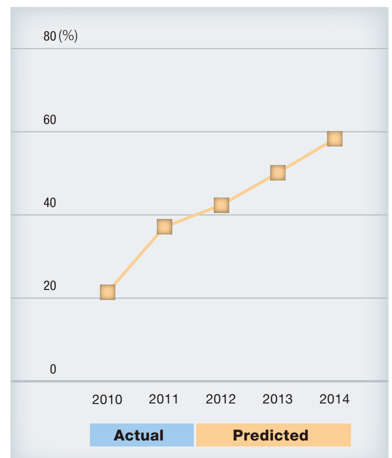
2 Motion Control Device

Production capacity has been enlarged to satisfy demands from rapidly expanding white goods market.

In Japan, transition to inverter-installed white goods home appliances to get higher energy efficiency is essentially complete by now, but great opportunities for this technology exist outside the country. In China, in particular, inverters are only recently making progress primarily into air conditioners, with its rate of market penetration at just 10% in 2009, increased to nearly 40% in 2011, and expected to exceed 50% in 2013. Furthermore, in South Korea, manufacturers of air conditioners, washing machines, and refrigerators are trying to differentiate their products, destined to be exported to the United States and Europe, by installing inverters for energy smartness.

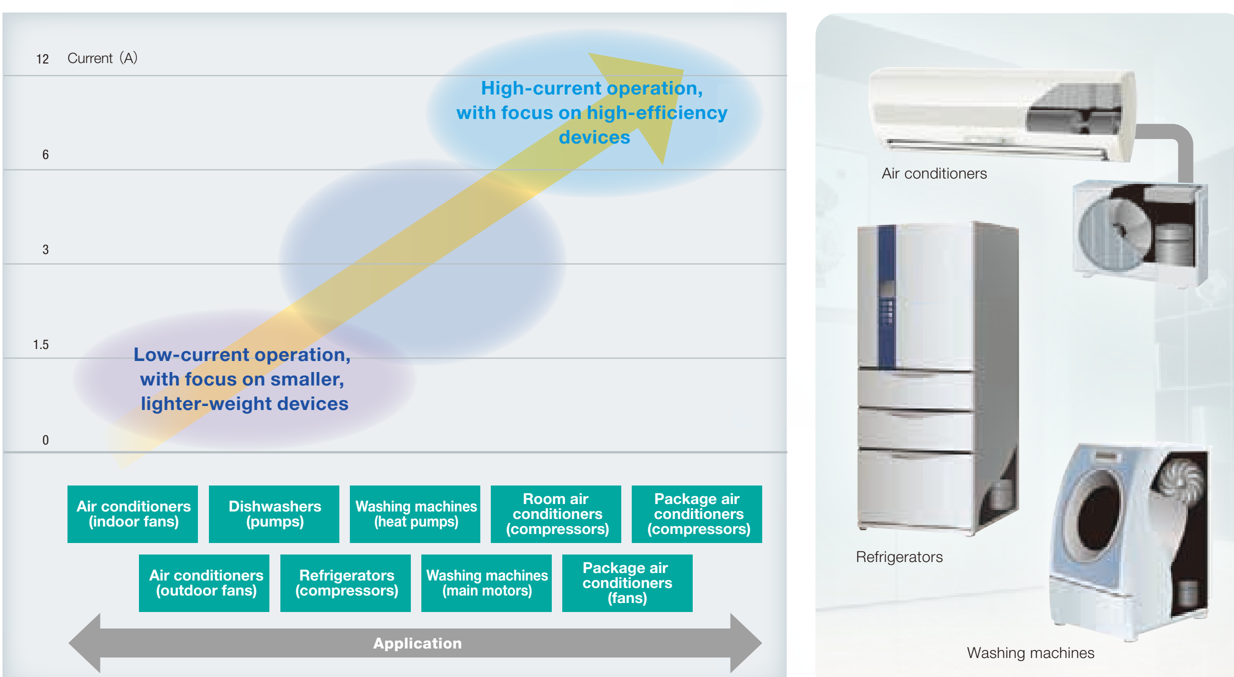
With emergence of these enormous markets in Asia and other regions, Sanken is trying to widened its lineup of products to support various applications and wide selection of applicable electrical currents, as shown in the figure below, and is also working to increased production capacity in anticipation of market expansion in the future.

Ratio of inverter-equipped air conditioners in China (%)



Note: Figures derived from analysis conducted by Sanken Electric

Expansion of product offerings grouped by electrical current and application

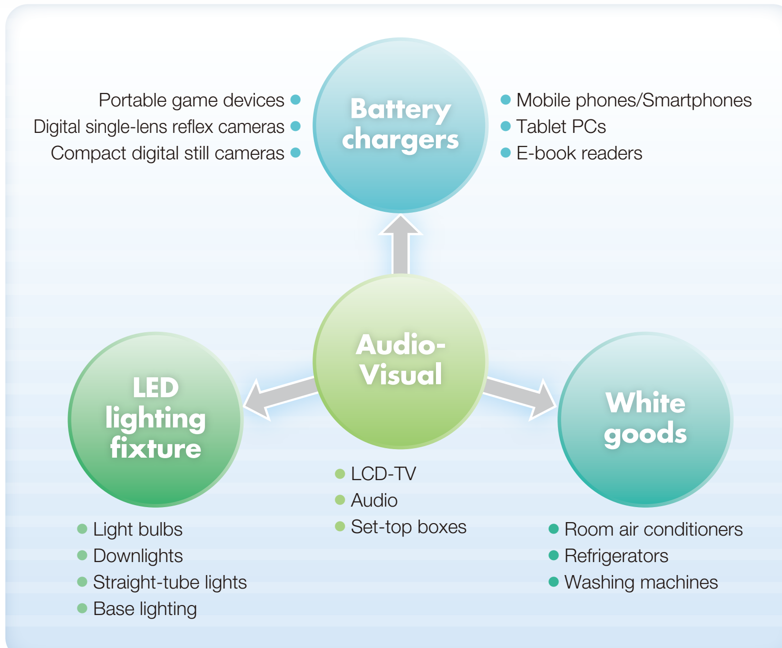


3 Power Conversion Device

Jumping into brand-new markets with primary-side AC/DC power interface ICs

In marketing power interface ICs in the recent past, the Sanken Group has basically focused on audio-visual markets, particularly the LCD TV market, and done little in its development and production elsewhere. In sharp contrast, the Group at present aims to break into existed but not-yet-penetrated power conversion markets, as well as into completely brand-new markets with high growth potential, by offering products for novel applications as illustrated in the figure to the right.

Through such efforts, the Sanken Group plans to record results in these markets and to ride on a steady growth path.



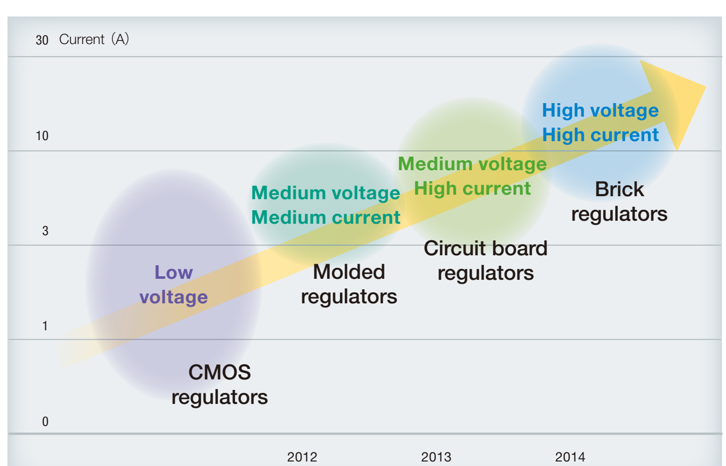
4 Regulator and Module Device

Wide coverage of applicable wattage for secondary-side DC/DC power interface, from regulator ICs to power bricks

Sanken has decided to emphasize expansion and allocate more of its resources into the secondary-side DC/DC power interface business, which, up till now, has been placed in the shadow of primary-side AC/DC power supplies. The Group has already established an organizational unit made up of engineers with various technical specialties and is actively engaged in new product development activities.

As shown in the figure to the right, the Group has adopted a policy to expand its offerings of products step by step, until it covers the whole range of voltage and current, with such target markets as white goods appliances, industrial machinery, factory automation, industrial robotics, and data center servers.

Expanding coverage of the whole DC/DC field



Global Network

Sanken Electric and its affiliated companies in total have sales and production facilities in 11 countries and regions including Japan, and are trying to expand their business on a global scale through application of their unique proprietary technologies.

With the exercise of appropriate management decision-making on a global basis for both the development and production aspects of business, Sanken always strives to choose “the best available decision from “the overall group-wide perspective.” This management philosophy is best represented in the arrangement in the semiconductor segment, where Sanken and its group companies are

Sanken Production Facilities in Japan

trying to shorten the development cycle time for highly sophisticated multi-functional products through a collaborative trilateral arrangement combining Sanken Electric's power semiconductor technology including packaging technology, Allegro MicroSystems, Inc.'s (AMI) digital and high integration technologies, and Polar Semiconductor, Inc.'s (PSI) wafer processing technology.

In addition to the combination and collaboration of technologies, Sanken and its affiliates are aggressively expanding production capacity in response to the high growth potential of the "eco-friendly and energy saving" market, and in particular improving the wafer supply system and raising cost competiveness, by expanding the front-end wafer processing capacity at PSI.

Sanken Production Facilities Overseas

Review of Operations Semiconductor Devices Business

The semiconductor devices occupy the center of Sanken's entire business, and our products in this core business segment range from power ICs, high-voltage large-current transistors and diodes, as well as Hall-effect sensor ICs. Most of our semiconductor devices belong to an engineering field known as power electronics and deal with conversion and management of electric power. They are used as key components in various consumer and commercial products, including automobiles, home appliances, industrial machinery, IT and mobile equipment and LED lighting fixtures.

Sanken Electric and its US subsidiary, Allegro MicroSystems, Inc. ("AMI"), strive to accelerate product development with our ample reservoir of proprietary technologies, and offer to the market products best-suited to satisfy the specific needs of our customers.

Market Conditions

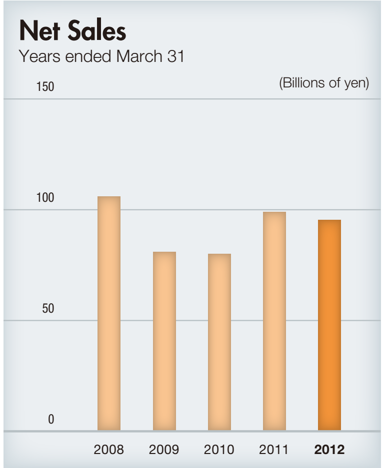
The past three years have seen a series of unfortunate incidents that greatly impacted the state of both the Japanese and the global economies, including the collapse of Lehman Brothers and subsequent global financial crisis, the turmoil in the European financial markets, the Great East Japan Earthquake, the massive flooding in Thailand, and the rapid appreciation of the yen.

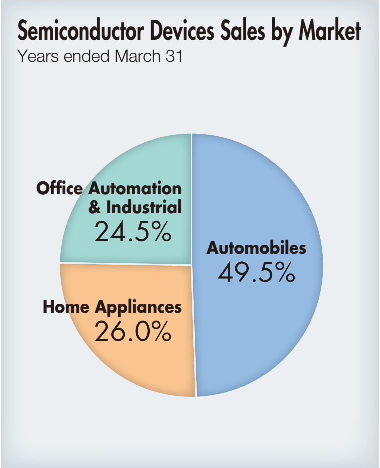
The semiconductor industry, to which our core business belongs, did not escape the effect of those tumultuous economic circumstances, and experienced extended market stagnation.

On the background of all these short-term events, however, the general tide of the market has already started to flow steadily towards the technologies created around the dual concepts of "eco-friendly" and "energy-saving" functions, which Sanken has already been pursuing for more than several decades now. This flow has become even faster as a result of various social issues brought forward by the Great East Japan Earthquake, most notable of which are the restrictions placed on power usage. An additional social change is also coming from a similar direction, as countries around the world are steadily progressing towards the "Smart City" concept. Many advanced nations like Japan, the United States and those in Europe are implementing initiatives such as the "International ENERGY STAR Program" and "Green IT Projects" as part of their efforts to transform office and commercial equipment more energy efficient, reduce the power consumed by IT equipment in operation and move towards an IT-enhanced low-carbon society.

Looking at individual markets to which we serve, in the automotive sector, electronic components grow in importance each year as manufacturers seek to provide greater fuel efficiency, higher driving safety and better passenger comfort. As hybrid and electric vehicles capture more of the market, we expect that demand for new innovative devices to electronically control vehicular power-trains will soar.

Moreover, in the white goods sector, products that have adopted inverters to achieve significant power savings are exhibiting significant sales growth worldwide. While primarily confined in the past to energy-intensive air conditioners, the adoption of inverters has now spread to all white goods, including refrigerators and washing machines. In the emerging countries of Asia, in particular, including China and its huge consumer market, more and more air conditioners are being equipped with inverters, in response to stricter environmental regulations imposed by the governments.





For example, as of 2011, the number of air conditioners produced in China has grown to an enormous volume of 70 to 80 million units. The proportion of air conditioners equipped with inverters was just a small percent in 2010, but as of 2011, that has surpassed 30%, and this market is regarded as a target with great potential for our inverter ICs.

Fiscal 2011 Results

After several months of sluggish sales caused by a series of earthquake related production halts by car manufacturers, momentum finally returned to automotive products in the Japanese market during the latter part of the second quarter after the effects of the earthquake gradually diminished. Additionally, our U.S. subsidiary, Allegro MicroSystems, Inc. maintained favorable financial results thanks to solid demand for its sensor ICs in Europe and the United States.

The home appliance markets continued to show favorable trends, thanks to market demand for "eco-friendly" and "energy-saving" functionalities, but we gradually entered a correction phase and orders decreased, due to the setoff from the prior year's boom brought about by the summer heat, the termination of the Eco-Point rebate program and the effects of the flooding in Thailand.

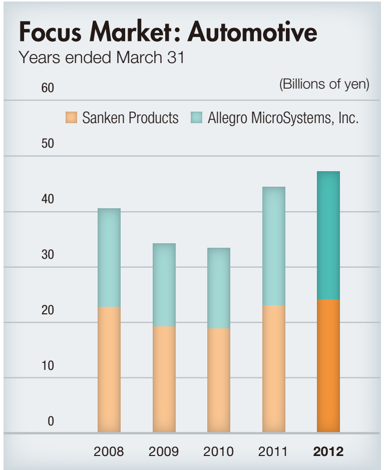
Orders for products for flat panel televisions suffered under the difficult circumstances due to the drop in electronic component prices driven by the substantially reduced prices for television sets themselves.

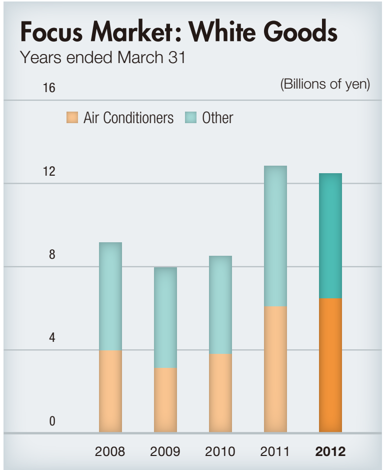
In the midst of all these adverse situations, however, the Company put together an organizational infrastructure to accelerate the future growth in new markets such as automotive and white goods markets centered on the concepts of "eco-friendly" and "energy-saving." On product development, the technological resources from the entire group of Sanken and its affiliates were pooled together to come up with low power-consumption, highly-functional power semiconductor products. On production, we made efforts to expand the group-wide wafer production capacity by investment in the front-end semiconductor processing, as well as to upgrade capabilities to handle an 8-inch production process, and to achieve the dual goals to curtail costs and increase productivity. In back-end assembly process of semiconductors, we tried to enlarge production capacity for motor driver ICs to be used in white goods and for sensor ICs for automobiles, in order to respond to increased demand. On the corporate level, we continued to execute our plan to improve profitability by substantially lowering our break-even point through holding down fixed costs.

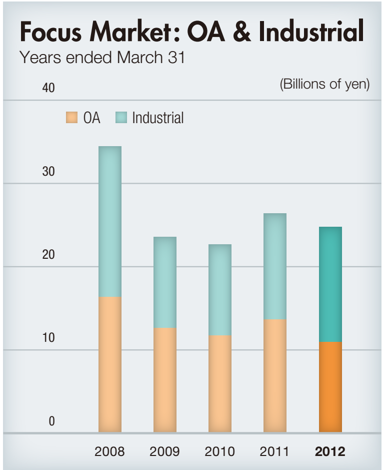
As a result, consolidated net sales in the semiconductor devices business was ¥95,295 million, a drop by ¥4,551 million or a 4.6% reduction compared to the previous year. Consolidated operating income was ¥6,827 million, also a drop by ¥1,887 million or a 21.7% reduction compared to the previous year.

Agenda for the Future

Our management initiatives executed up to fiscal 2011 brought forward many of tangible improvements to our business structure, to our semiconductor device business in particular. In the months ahead, we will accelerate our efforts to upgrade our







product development and production systems, focusing especially on growth markets.

Sanken has identified a number of growth markets, such as automotive, white goods, industrial equipment, IT/mobile, LED lighting, power conditioner, sensor and other products, through growth potential analyses conducted with such keywords as "eco-friendly," "energy-saving" and "green energy." We will focus on technological and product development in these markets.

In order to penetrate effectively into these markets, the Company reorganized its Engineering Headquarters, and now we have four units, "AMD" (Automotive Device), "MCD" (Motion Control Device), "PCD" (Power Conversion Device) and "RMD" (Regulator Module and Device) based on their respective market attributes to enable us to engage in timely and precise strategy formulation and execution.

AMD works on the dual mission to aim for sales growth in currently existing applications as ignition, battery charging and sensors, as well as for penetration into new applications in response to the advances in motor control technology, found common in any of low fuel-consumption internal-combustion engine autos, hybrid vehicles and electric cars.

MCD puts together a wide-ranging lineup of products, from small to large-current motor drivers in response to the globally expanding use of inverters in white goods, as well as invest in capacity expansion to accommodate the growth.

PCD makes a shift away from over-emphasis of existing audio-visual market, and toward entrance into new markets of multi-purpose AC/DC power supply ICs, with such applications as LED lighting, white goods, IT/mobile equipment and other products.

RMD establishes a product portfolio that is capable of covering the entire DC/DC universe, from simple secondary-side regulator ICs to the "brick" power supplies, to satisfy demand from such diverse fields as white goods, industrial equipment, industrial robots and data center servers.

Our production system and infrastructure will also be improved to cope best with these strategies. With respect to the front-end processes that are indispensable for semiconductor fabrication, Sanken doubled its wafer fabrication capacity by investing in the 8-inch equipment at PSI in March 2011, and is currently working on the construction of the Fab III, a new 8-inch fabrication plant. At Yamagata Sanken, which was damaged by the Great East Japan Earthquake, an 8-inch manufacturing line was installed for the first time, together with the new epitaxial equipment to start internal sourcing of epitaxial wafers.

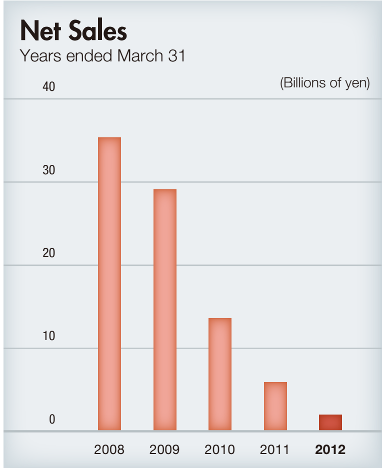
As for the back-end assembly process, the Company started to reinforce production lines for products in such markets as automotive ICs, home appliance ICs and sensor ICs, on top of its efforts in such projects as to build a new semiconductor assembly plant at Dalian Sanken Electric, to prepare to ramp up operations at Allegro MicroSystems' second Asian assembly plant, and to augment the LED production lines at Fukushima Sanken.

Through these efforts and others, we are now aiming for future high growth-potential markets, with systematic approach to increase capacity aggressively and to boost sales on a global basis.

Review of Operations CCFL Business

Fiscal 2011 Results

The business environment surrounding the CCFL continued to worsen due to reasons such as the increased acceptance of LED backlights. The Company is trying to hit break-even by such measures as downsizing capacity and manpower down to a level appropriate under the current market conditions. Consolidated sales in the CCFL business was ¥1,966 million, a fall by ¥3,962 million or a 66.8% reduction compared to the previous year. Efforts were made to counter the decrease in sales, but a ¥1,575 million consolidated operating loss was posted, compared to a ¥1,425 million loss last year.



It is the power module business that illustrates Sanken's advantage gained from the combination of its superior semiconductor technologies and power-supply circuitry technologies. The power module products cover a wide range of applications such as switching-mode power-supplies for computers, office/factory automation equipment, industrial instruments and medical apparatus, and products such as AC adapters for PCs.

Fiscal 2011 Results

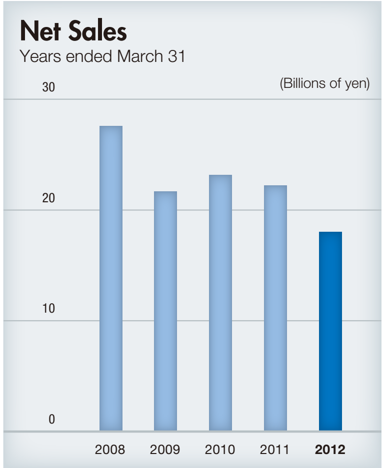
In the power module business, the Company started several initiatives to boost sales of office automation equipment such as multifunctional printers, but the gains were offset by significant drop in orders and sales of our switching power supplies designed for flat panel televisions, due to a large decrease in TV set production prompted by a sharp decrease in retail prices of the television sets themselves.

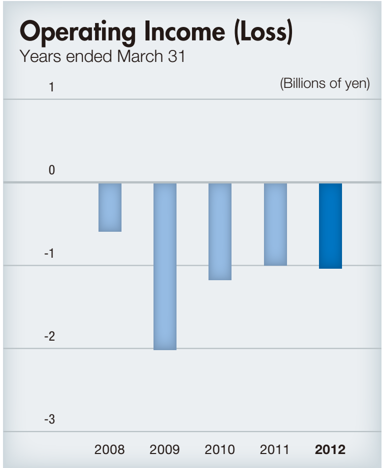
As a result, consolidated net sales in the power module business were ¥18,022 million, down ¥421 million or 18.9% from the previous year. As for earnings, a consolidated operating loss of ¥1,034 million was posted, compared to the loss of ¥1,024 million in the prior year.

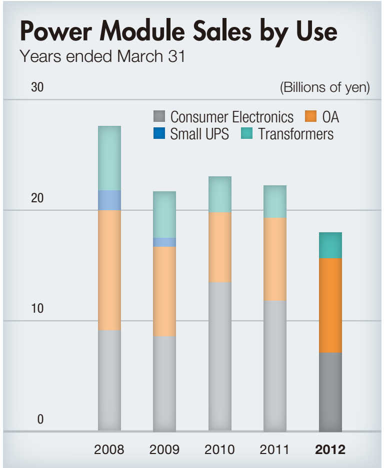
Agenda for the Future

We have already started measures to accelerate migration toward new high-growth business areas, and to replace the business related to audio-visual equipment, to build a sound profitability structure. Thus, we are now focusing on penetrating into such new markets as high-efficiency power-supplies for applications such as data center servers and storages in the IT industry, measuring instruments etc. in industrial markets, medical equipments, and AC/DC and DC/DC power supplies for automotive uses.

The production system and infrastructure for the power module business had been already consolidated to P.T. Sanken Indonesia in the year before last, and we will now try to bring the most out of our effort to achieve greatest efficiency and consequently to post maximum profit in this business.







Review of Operations Power System Business

The power system business is the origin of our company and the source of our "excellence in manufacturing" tradition. This segment's products, such as large DC power supplies, high-intensity aircraft warning lights, or "strobes," uninterruptible power supplies, and general-purpose inverters for industrial motors, have earned customer trust and a reputation for excellence in socially critical facilities where power interruptions are unacceptable, such as telecommunications systems, dams, power transmission substations and highway tunnels.

Fiscal 2011 Results

The power system business for communications industry posted financial results basically consistent with its business plan. Even though a number of construction projects were either cancelled or postponed due to the consequences of the earthquake, the communication traffic capacity expansion projects gradually returned especially during the fiscal third quarter and onwards. The sales of products for public infrastructure operators such as national or local governments and electric power companies were affected heavily by the earthquake, and orders were only slowly coming back.

As a result, consolidated net sales in the Power System business were ¥16,518 million, down ¥358 million or 2.1% from the previous year. Consolidated operating income was ¥1,782 million, down ¥88 million or 4.7% from the prior year.

Agenda for the Future

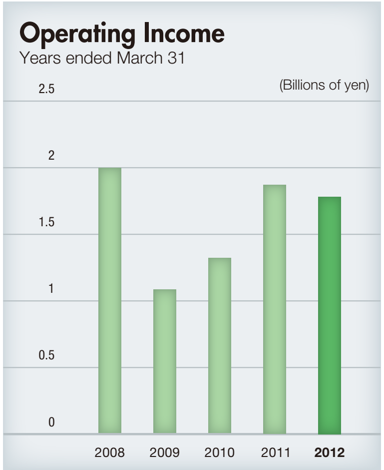
The basic direction for our existing business is, as before, to focus on securing stable flow of business originated from national and local governments.

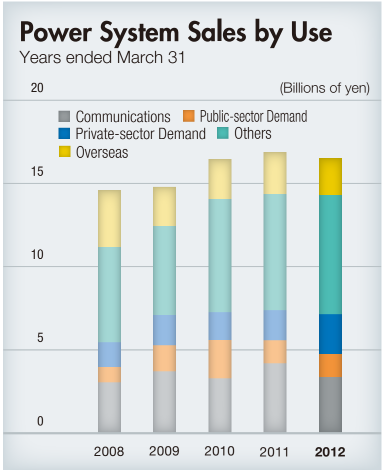
On top of this, we will try to step up efforts to cultivate new markets, based on the key concepts of "eco-friendly" and "energy-saving." As the "smart house" and "smart city" projects garner attention as a potential market for innovative method to manage energy distribution and consumption, Sanken will try to expand sales of such new energy-related products as power conditioners for solar power cell modules and UPSs with power storage features, and to strengthen our approach to get involved with such new markets as the BEMS (Building Energy Management System) and HEMS (Home Energy Management System) markets.

For BEMS-related activities, for instance, Sanken has already established track records of completing joint projects with real estate developers and construction companies, and will push forward with aggressive expansion plans applying these experiences together with the Company's comprehensive array of sophisticated power electronics technologies.

Moreover, the Company has long history and wide experience in the field of "green energy" that covers not only solar power generation but also other alternative methods such as wind power generation, and we will strive to develop new businesses by close analyses and ingenious adaptation to the respective needs and social conditions of each of the nations around the world and their people.

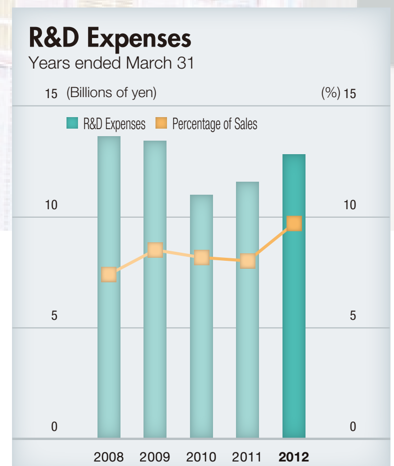
In executing these efforts, Sanken will try to foster collaboration between the PS Division at the Headquarters and its PS-related affiliates to improve cost competitiveness through international procurement of parts and materials and manufacturing of products and ultimately to achieve business growth on a global scale.





R&D and Intellectual Property

"The pursuit of the most 'eco-friendly' and 'energy-saving' solutions," which our company places at the top of its strategic agenda, has now also become the most prioritized issue of global significance. In order to achieve this objective, the Company's core competence, the technology and expertise in power electronics, is unarguably an indispensable factor. The Company has fully come to understand this important and historic role to advance further the technological horizons to satisfy expectations from the global market place and to develop and offer forward-looking, innovative products. And the Company has already commenced the procedure to strengthen its entire research and development organization, by such actions as encouraging global collaboration among our major units including overseas subsidiaries, integrating all available technical resources, and bringing to the market high-value-added products within a shortest period of development time.



Research and Development Policy

It has become a common understanding among the world's industries that it is fundamentally right to realign their business directions in order to foster "eco-friendly" and "energy-saving" endeavors. The Company too understands that its technology and expertise are necessary as a means for reaching the goal. Thus the Company has expanded its research and development activities in the last several years and as a result its technological competitiveness in power electronics has become greatly raised to be suitable to penetrate into new markets with new technologies and new products.

The Company has started its efforts to widen its reach to get to the new markets and offer new application opportunities, and to solidify further the Company's reputation as one of the leaders in the global marketplace, and secure larger market shares by more of its innovative technologies and novel products, on top of an array of already-well-established products.

With this approach, we are confident that we will be able to change the way we do our research and development operations, from the collection of a few of technologically isolated products, now a line-up of many technologically linked products to form a product group, and in the future a whole family of products to allow us to secure firmer grip on the larger market.

Key Research and Development Goals and Sanken's Strengths

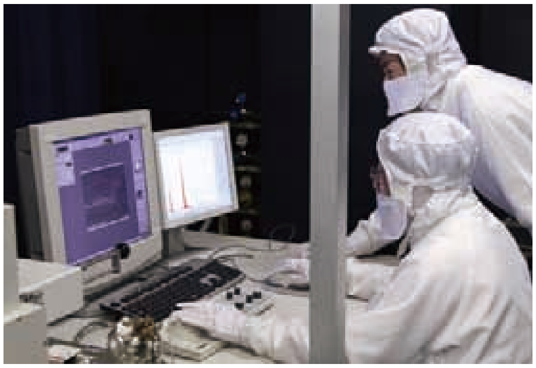
Currently, the Company is advancing its research and development efforts in two directions. The first is to put “eco-friendly” features into our products by raising “efficiency” in our electric power conversion and motion control devices and to bring out smaller and lighter products. The second is to offer “energy-saving” features by reducing power consumption while the machine is in a stand-by mode.

The Company itself is a globally unique existence which keeps within itself the comprehensive set of elemental technologies related to electric power supply, ranging from development and manufacture of semiconductor devices, circuit design and manufacture of power supply boards. And this whole range of technological assets give the Company a great advantage in trying to make real the concepts of “eco-friendly” and “energy-saving.”

In the semiconductor business, Sanken's core, the Company is placing emphasis on development of high value added products in response to the latest market requirements such as lower power loss, higher switching frequency, lower power consumption, attention to environmental impact and customer value maximization, in the areas of power conversion or power management , and motion control or motor drivers and sensors , and the BCD wafer process technologies.

Going forward, the Company is currently targeting high potential strategic markets of automobiles, white goods, industrial machinery, IT and mobile devices, LED lighting fixtures, PV power conditioners, sensors, and other related fields, and the research and development activities are coordinated alongside the marketing initiatives aimed at these targets.

Research and Development Achievements in Fiscal 2011



The Company made efforts to achieve its ultimate goal of creating “eco-friendly” and “energy-saving” products around such specific research and development themes as high operating efficiency, low stand-by power consumption, smaller dimensions and lighter weight, conservation of resources, reduction in number of parts, and standard and common platforms. In light of these perspectives, the Company scored the following major technological achievements in FY 2011.

With respect to the IGBT (Insulated-Gate Bipolar Transistor) technology, which is highlighted as one of the next-generation technologies for power control and management, the Company developed a new family of products and pressed forward the real world applicability of IGBTs by reducing both size and cost by half from our prior products.

For automotive market, we developed a strategically important product called an “isolated-type pre-driver.” This product is one of the power devices indispensable to drive the main electric motor of hybrid and electric vehicles. This product functions as a bridge between the controlling signals transmitted and received at small currents and the large current circuitry driving the main motor. This product is only made available by the use of our advanced technological capabilities and we forecast that this technology will be adopted by many of automobile manufacturers. In addition to its focus on hybrid and electric vehicles, the Company currently emphasizes product development in various automotive driver ICs and sensor ICs, in response to increasing use of on-board motor controls, regardless of whether the car is driven by internal combustion engines, hybrid systems, or pure electric power trains.

Furthermore, for energy-saving home appliances and other electronic equipment, the Company developed and launched to the market the STR3A100 series of switching power supply ICs, which can reduce stand-by power consumption to as low as 10mW, or a 60% reduction from our prior products. This product is created in response to some of the new, stricter regulations on standby power consumption introduced in the United States and Europe. Other significant engineering topics include the development of battery chargers for mobile devices such as smartphones and tablets, and of products that can even achieve very-close-to-zero standby power consumption in home appliances such as air conditioners.

In the area of devices for LED lighting, the Company developed products such as the LC5220 series, which is most suited for size reduction of LED light bulbs, as well as the LC5540 series, which provide both wide range dimming function and clearance of the Class C harmonics regulations with only a single integrated circuit.

As for solar power, one of the most hopefuls of green energy alternatives, the Company developed products such as the PVMPW-2304, a bypass diode optimized for the high output current from crystal-type photovoltaic cell modules, as well as the PVRM10C, an axial-type bypass diode optimized for thin-film solar cell modules.

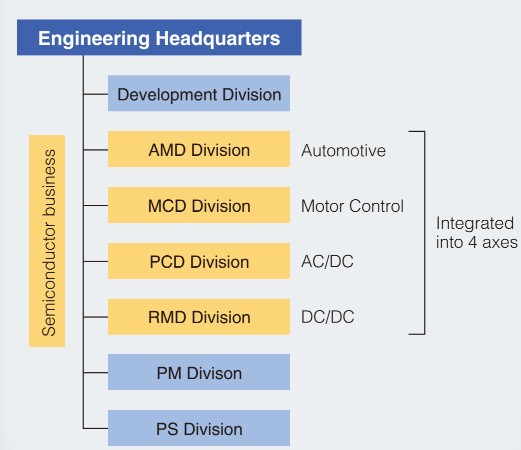
Among the power systems equipment, the Company developed three new smaller-wattage products for its FULLBACK-series general-purpose UPSs (uninterruptible power supplies). These models are differentiated by their feeding methods depending on their uses; 1) a model for smaller computers, such as for point-of-sales cash registers and for electronic medical records; 2) a model for servers and mainframes; and 3) a model for computers used in, for example, broadcasting and communications as well as administrative work in medical institutions. These products are designed to give higher level of space savings and energy conservation through higher efficiency achieved.

In addition, the Company has completed a large number of development projects on elemental technologies and specific products, and these achievements boosted the sales figures for FY 2011. We believe that our research and development activities as represented above will contribute without fail to sales for FY2012.

Research and Development Organization

Sanken's research and development organization is structured on the basic concept of "trilateral collaboration" among the following affiliated companies: Sanken Electric; Allegro MicroSystems, Inc. (AMI), a U.S. subsidiary whose strengths lie in designing products such as sensors and motor drivers; and Polar Semiconductor, Inc. (PSI), a U.S. subsidiary that operates a design center focusing on new circuitry development. This global, collaborative effort efficiently creates new technologies by taking advantage of the mutually

New organization chart (beginning April 1, 2012)



complementary expertise of the development engineers working at each of the three companies.

A major organizational change in Sanken's headquarters in Japan was made in April 2012, to its Engineering Headquarters. Until now, to support growth of more "eco-friendly" and "energy-saving" products, a number of project teams were set up, separate from the official organization, to be responsible for development of specific products in such high growth fields as automobiles, white goods, and LED lighting. Given the trend towards more "eco-friendly" and "energy-saving" products throughout the entire world and in all industries, however, and taking into account such factors as Sanken's accumulated track records in the fields of automobiles, white goods, and LED lighting, the Company terminated the project team approach to product development, and their efforts have been incorporated into the official organization to construct a structure ideal for making full-scale pursuit of engineering goals in the three markets.

This new organizational arrangement was formed to achieve an even higher level of strategic moves and swift responsiveness to the changes in market dynamics, and organized according to Sanken's core competencies and technological seeds in semiconductors. Namely, to correspond respectively to the four markets of automotive components, electric motors, primary-side general-purpose power supply (AC/DC), and secondary-side general-purpose power supply (DC/DC), the Company set up following four new divisions: "AMD" (automotive devices), "MCD" (motion control devices), "PCD" (power conversion devices), and "RMD" (regulator module and devices). In the coming years, the Company will press forward technological development around these four axes, and bring to the market those products that until now were engineered as isolated in technological and marketing sense, but now they are clustered together as a family of similar products, and expand further into Sanken's whole line-up of products.

Cooperation with the Production Headquarters

Sanken has laid out a system that unifies our work in both product development and manufacturing technology development. The Company established Manufacturing Technology Division within its Production Headquarters being in charge of mass production of products. This division is active in development of manufacturing technology, production line design, production equipment development, and production efficiency maximization. Product development engineers from the Engineering Headquarters are now expected to work together with staff of the Manufacturing Technology Division even at the initial stages of new product development, with product development engineers sometimes actually deployed to production plants to design an optimal mass production system. In addition, the Company's global wafer fabrication strategy is being conducted primarily by the three companies of Sanken Electric, AMI, and PSI, providing another opportunity for global collaboration between the manufacturing and the research and development divisions.

By having Engineering Headquarters personnel involved in all phases of the mass production preparation process, from developing manufacturing technologies and building equipment in-house to the selection of parts and materials for procurement, Sanken can construct the most efficient mass production system in a short period of time. This approach also significantly reduces manufacturing costs.

Intellectual Property

It is of utmost importance to protect effectively the intellectual property rights that are related to our core technologies, side by side with creating innovative, high value added products through continuous research and development, in order to remain competitive in the semiconductor market place. To this end, Sanken has taken steps, not only to create intellectual property and legalize the rights, and to make effective use of this intellectual property, but also has laid out a system to accelerate development of new products and technologies through sharing of information between the research and development and the intellectual property organizations from the initial stages of development. By these actions the Company is able to improve the quality and increase the quantity of the patents it holds.

Alternatively, in order to give support for the global expansion of our businesses, the Company has started to apply for and obtain a large number of patents in both the United States and in emerging countries in Asia, with the number of patents currently held being split evenly between Japan and overseas.

Sanken has set its patent strategy to secure a cluster of patents covering both basic and improved inventions, and to strengthen our position to keep our competition away. We are also actively making progress in the replacement of older patents with newer ones, creating an intellectual property portfolio which keeps pace with the latest changes in the business environment.

There are a few fundamental directions which our intellectual property organization is following. The first of such strategic direction is to coordinate with research and development organization to try to form a cluster of patents at the early stages of technology and product development. Also by doing a comprehensive analysis of technological trends in other companies, we will then be able to have a number of alternatives to respond to potential patent negotiations and secure access to a wide range of outside intellectual properties, including such options as an offer to create a technical cooperation arrangement. For this reason the intellectual property organization is actively conducting training sessions to encourage our development engineers to engage in intellectual property activities from an early stage of product development.

The second strategy is to adapt to the trend for globalization. In particular, the Company is making efforts to increase its acquisition of patents in emerging countries such as China, and is working to strengthen its network of patent professionals overseas and to expand intellectual property portfolio outside Japan.

The third strategy is to provide support to accelerate the Company's research and development activities. Through its access to patent and other technical information, the intellectual property organization feeds back the latest technological trends and related information to the research and development organization, and cooperates with others, such as the Company's Technology Marketing organization, to stimulate innovation and to give strategic direction to research and development activities.

CSR Initiatives

1 CSR Policies and System for Advancing CSR

Sanken Electric and the Sanken Group of companies clearly define the role of Corporate Social Responsibility ("CSR") as "social contribution through practice of our Management Philosophy," and are engaged in various aspects of CSR initiatives based on the following fundamental policies:

Fundamental CSR Policies

1. **Fair and just conduct in compliance with ethics and laws and ordinances**
   An enterprise is a member of society. As such, the Company will respond to society's trust with honest conduct of its business.
2. **Energy-saving products developed and marketed through integrated application of technological capabilities**
   To move closer to the ultimate goal to realize a sustainable society, the Company will use its portfolio of proprietary technologies and strive to solve environmental problems.
3. **Good relationships with all stakeholders**
   The Company will conduct necessary dialogue and cooperate with individuals, groups, and communities with which it has various forms of relationships.

Challenges to overcome

In order to fulfill the obligations expected under the concept of CSR, Sanken will strive to devise solutions for each of the "environment,""social" and "governance" aspects of CSR.

"Environmental" Challenges: Development of energy-saving products; reduction of greenhouse-effect gas, or CO_2 emissions; reduction of environmentally-hazardous substances

"Social" Challenges: Employee health concerns and workplace safety; work-life balance; compliance; information disclosure; contribution to local communities

"Governance" Challenges: Quality control; customer satisfaction; risk management and information security; business continuity planning and management

The CSR Committee

Sanken seeks to continue to improve its over-all corporate value by pursuing responsible business activities. As a special corporate-wide, cross-functional organization, the CSR Committee tries to promote dissemination of the concept of, and encouragement of actions for, CSR at all Group companies.

- Basic Directions of the CSR Committee -

1. **To align CSR activities in line with the management philosophy and business plans.**
2. **To exercise appropriate control of economic, legal, and ethical risks.**
3. **To disclose the outcomes of our CSR activities, and maintain dialogue with the various parties involved.**

The CSR Committee is an organization whose members include the heads of each headquarter, and is responsible for monitoring the CSR efforts conducted at Group companies.

CSR Promotion Framework

2 Corporate Governance

To raise the Company's corporate value and fulfill its social responsibilities, Sanken constructs and aims to continue to enhance "a framework for corporate governance" to ensure the appropriate formulation of its management goals and implementation of those goals.

Basic Approach to Corporate Governance

Sanken is striding forward to enhance the accountability and secure appropriateness of strategic decision-making by the Board of Directors and strengthen the board's supervisory role in order to boost efficiency, improve transparency and maintain soundness of management. At the same time, the Company is working to strengthen its corporate governance system through the activities of its CSR and IR offices. Additionally, we have set the term of office of directors at one year, with the aim to ensure that the Board of Directors is more responsive to changes in the business environment and to clarify that the performance of the duties of the Board of Directors is evaluated each year corresponding to the Company's fiscal period.

Corporate Governance Structure

The Company, a global business enterprise, believes that it must select "a corporate governance system that is best suited for the current unique nature of the Company," taking into consideration such factors as the need to open wide channels of communication with various stakeholders including overseas investors. With this basic framework in mind, the Company does not appoint outside directors but has adopted the Statutory Auditor System, in which the six-member Board of Directors and the four-member Board of Statutory Auditors, including two Outside Statutory Auditors, are installed as the Company's corporate organs, providing a mechanism that the Company believes ensures an objective, unbiased management monitoring function through the appropriate exercise of oversight functions by the two Outside Statutory Auditors.

Furthermore, the adoption of the corporate officer system has enabled the Company to effectively separate business execution from strategic decision-making and supervisory functions. This system is also designed to facilitate rapid responses to changes in the business environment. As of the end of March 2012, Sanken has sixteen corporate officers, four of whom are acting concurrently as company directors.

Internal Audits, Audits by Statutory Audits, and Financial Audits

For internal audits, Sanken has a CSR Office staffed by ten individuals. The CSR Office is involved in on-site and off site auditing and evaluating all corporate activities performed by employees, formulating proposals for improvements, and providing execution support and holding compliance education and training sessions.

The Statutory Auditors sit on the Board of Statutory Auditors, and meet to set audit policies and audit plans, and to decide other matters as prescribed by law, as well as to share audit information among Statutory Auditors. In accordance with the division of duties determined by the Board of Statutory Auditors, the Statutory Auditors attend Board of Directors' meetings, management committee meetings and other important meetings, as well as inspect important documents. The findings of their audits are reported to the Board of Statutory Auditors. The Statutory Auditors also meet regularly for discussions with directors, the head of the CSR Office and the Accounting Auditors to improve the efficacy of audits performed. Furthermore, strict monitoring is performed through auditing visits at the Group's business locations both in Japan and overseas, with the results reported to the Board of Statuary Auditors.

The Statuary Auditors are responsible for assessing the status of the Company's operations and assets, as well as the execution of other inspection duties. To this end, the Statuary Auditors, in their efforts to carry out effective audits, maintain close contacts with those in charge of monitoring functions within the Internal Auditing Group of CSR Office and other units involved in internal control systems.

The independence of the two Outside Statutory Auditors has been reviewed, and the Company concludes that no conflict of interest exists between the Outside Statutory Auditors and the Company's general shareholders.

Internal Control System and Compliance System

The Company compiled the Conduct Guidelines, which are a practicable form of the code of conduct based on the Company's statement of Management Philosophy. The Company also strives to construct and operate a highly effective system for internal control through such efforts as organizational adjustments, the introduction of a new framework of operations and the enactment of rules and regulations, in order to ensure compliance to laws and regulations by both management and employees, to improve the efficiency of operations, and to keep the reliability of financial reports. To place its compliance organization on a solid footing, Sanken also is working to enhance its rules and systems through measures such as setting up the "Helpline System," a whistleblowing mechanism, which serves as an internal information reporting channel and consultation desk for employees.

The Company sends, as necessary, its Corporate Officers to its Group companies as directors in order to facilitate close communication of the Group's strategies, to get involved actively in the important operational decision-making, and to try to implement effective management processes in general. Moreover, the Company enacted a set of policies such as the Affiliated Company Management Regulations and the Management Guidelines to clarify the duties and authority of each company in the Group. The Company has assigned from among its departments a unit that is principally responsible for overseeing group companies, is trying to maintain close sharing of information and is engaged in management guidance and performance control.

Risk Management System and Related Activities

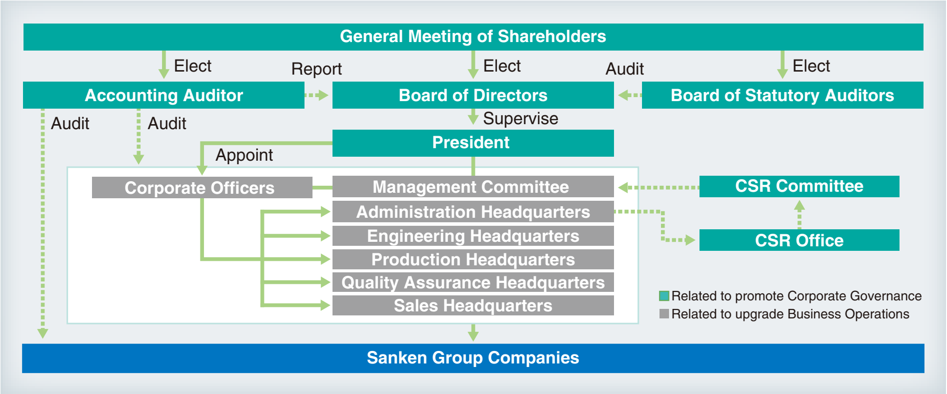
Sanken has established a Risk Management Committee, which reports directly to the President, to strengthen overall risk management for the entire Group and promote risk-event preparedness. In addition to measures to cope with natural disasters, the Committee studies, evaluates and analyzes a wide range of risks encountered by the Group during the course of business operations, and proposes and implements business continuity management plans to ensure integrated and cross-divisional risk management across the entire Group.

With respect to crisis management, the Group has taken specific measures that assume the occurrence of a serious disaster. These include the identification of the major risks associated with disasters such as earthquakes or fires, the establishment of a system to verify the safety of employees, and the formulation and use of "the Disaster Prevention Manual" and "the Business Continuity Plan," which describe how to minimize damage and injuries if a disaster were to occur, as well as a process for recovery.

Disclosure System

The General Affairs section continuously collects, confirms and examines information on material decision-making and material facts, and makes timely disclosures without delay after authorization by the decision-making body or occurrence of the relevant facts in accordance with applicable laws and regulations. The IR Office, meanwhile, actively provides corporate information, including financial results, to shareholders, investors, analysts, the media and other parties, carries out public relations activities, operates the Company's website and holds financial result presentation sessions.

Information security is an issue that applies to all corporate secrets, including the terms and conditions of contracts with customers, technical information and manufacturing requirements. To strengthen its protection and control of information assets, Sanken has prepared Information Management Rules that it has fully implemented throughout the entire Group. Moreover, in conjunction with reforms and revisions of the Act on the Protection of Personal Information and the Unfair Competition Prevention Act, the Company prepared manuals defining the scope of information that must be protected, together with control measures.



3 Environmental Initiatives

Sanken and its Group companies have placed as a critical part of our CSR activities the basic philosophy of a union between business and environmental activities. Accordingly, we are actively promoting "eco-friendly and energy-saving" activities as a management strategy, with the goal to create a low-carbon, recycling-oriented society that lives in harmony with nature.

The Sanken Group Environmental Charter

Sanken established the "Sanken Group Environment Charter" and announced to all stakeholders, both inside and outside the Group, our basic principles and code of conduct related to the environment. In accordance with this basic philosophy, Sanken Group is committed to undertake a variety of environmental conservation measures including the development of energy-saving and resource-saving products, the set-up and effective operation of an environmental management system based on ISO 14001 certification standards, and compliance with environmental laws and regulations, execution of programs to reduce waste and promote recycling, achievement of a lower level of environmentally hazardous substances in our products, and the progress of "green" procurement mechanisms. Sanken also takes steps to ensure that environmental conservation is positioned as a high priority part of our overseas business development programs, holding discussions with and seeking cooperation from local communities, foreign government agencies, customers, and purchasing partners. Sanken Group further makes certain that all our employees are educated and made familiar with the Environment Charter, and makes the Charter accessible to the general public through Sanken's website.

Environmental Policies and Action Plan

Sanken and each of the Sanken Group companies have established their own environmental policies. Although the policies prescribe various conservation activities following in principle the provisions of the Environment Charter, medium-term and annual plans are also developed in tune with the nature of each individual business, emphasizing the importance of continuous commitment to conservation activities.

Each year, Sanken issues the Sanken Group Environmental Action Plan as part of its yearly planning process, setting the direction for environmental conservation for the Group.

Within the context of their environmental management systems, Sanken and its Group companies are participating in activities that advocate conservation of energy and resources, and are working to heighten awareness of energy conservation among its employees through environmental training.

Conservation Activities

Sanken currently has established environmental management systems for its production bases at thirteen domestic locations and eight overseas offices, all of which have obtained ISO14001 certification.

To evaluate whether its environmental management system is functioning properly and whether required improvements have been achieved, each year the Company conducts its own environmental audits and verifies that its PDCA (Plan, Do, Check, Act) cycle is functioning effectively.

To improve its environmental activities, the Company conducts its own environmental audit annually to determine, for example, whether it is in compliance with all relevant regulations and has made sufficient progress on its yearly plan. In addition, annual inspections by third-party organizations are conducted each year to verify the effectiveness of the Company's environmental management system.

As a specific result of our environmental protection activities, in fiscal 2011 we achieved a 23% reduction in CO_2 emission volume compared with the previous year as the result of implementing thorough energy management policies, including energy conservation at Company facilities, efficiency improvements in logistics, and efforts to reduce greenhouse gases. Furthermore, by taking steps to limit the generation of waste at nine domestic manufacturing locations, we achieved an industrial waste recycling rate of 99.5% for all nine production bases. Additionally, for chemicals management we put into place controls on environmental risk, which include reports to the central government on materials handled in amounts annually at each office of one ton or more for Class 1 Designated Chemical Substances, and in amounts of 0.5 tons or more for Specified Class 1 Designated Chemical Substances, based on the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (the "PRTR Law").

The Energy Conservation Committee was established in 2007 with the goal of bolstering activities to reduce the emission of CO_2 at the Company's business sites. In addition to resolving issues confronting various divisions working to improve and identifying solutions that can be disseminated to other divisions, the committee conducts patrols once a year to verify the status of operations and identify points for further improvement.

Transition to Eco-Friendly Factories

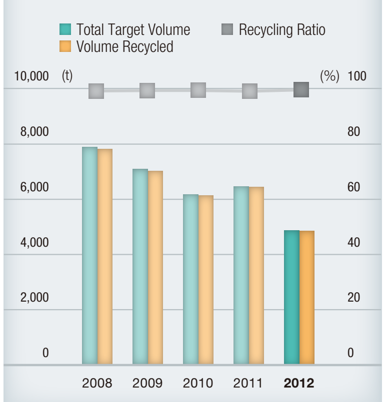
As a practical application of its philosophy of a union between business and environmental activities, Sanken has strived to use any opportunity to take eco-friendly actions even on the factory floors where machines are in operation. One of the best examples of this is the part of the inspection process for large-size uninterruptible power supplies (UPSs), in which a variety of products are tested using the same conditions under which they are actually used; i.e. consuming a significant amount of electric power. In the past, this power was emitted into the atmosphere entirely in the form of thermal energy, but the Group considered ways to recover and reuse this power and made improvements in this area. This led to the achievement of a 70% reduction in energy consumption during testing throughout the inspection process for the large-size UPSs manufactured by the PS Division.

In the future, the Group plans to apply this concept of the "eco-friendly factory" to other inspection processes.

Environmental Responsiveness of Products

Sanken has adopted a number of measures such as the adoption of environmentally friendly design of products, and "green procurement" mechanisms in order to comply with international regulations governing hazardous substances. In response to the European Union's RoHS Directive restricting the use of six substances, including cadmium and lead, and other regulations, Sanken's steps toward achieving more environmentally friendly products include its diligent work in collaboration with Group companies to complete the transition to the use of lead-free solder, and its effort to strengthen controls on products containing hazardous substances, mainly through enforcement of "green procurement" mechanisms. As a result of these early adoptions of the regulations, Sanken and its Group companies are recognized as the source of choice for "green procurement" by its client companies with rigorous environmental policies. Since fiscal 2009 we have promoted "eco-friendly and energy-saving" as a priority policy, and successfully developed and brought to market numerous products that have achieved low power consumption and resource savings.

Waste Volume and Recycling Progress



*Years ended March 31

Financial Highlights

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012, 2011, 2010, 2009, 2008 and 2007

	Millions of yen					
	2012	2011	2010	2009	2008	2007
Statements of income						
Net sales	¥ 131,803	¥ 144,882	¥ 134,134	¥ 147,003	¥ 184,309	¥ 203,815
Cost of sales	104,820	114,741	117,626	127,107	149,064	160,859
Gross profit	26,982	30,141	16,508	19,895	35,244	42,956
Selling, general and administrative expenses	22,934	23,991	21,990	24,787	26,975	27,941
Operating income (loss)	4,048	6,149	(5,482)	(4,891)	8,269	15,014
Other income (expenses), net	(1,502)	(5,004)	(12,684)	(5,719)	(3,997)	(2,693)
Income (loss) before income taxes and minority interests	2,545	1,144	(18,166)	(10,611)	4,271	12,320
Net income (loss)	436	(922)	(18,950)	(15,773)	1,776	7,499
Balance sheets						
Total current assets	¥ 84,280	¥ 84,414	¥ 83,725	¥ 82,900	¥ 104,050	¥ 112,464
Total investments and long-term receivables	3,624	3,724	4,309	5,376	6,321	7,719
Property, plant and equipment, net	47,301	43,430	43,029	58,501	61,600	71,755
Other assets	922	813	842	990	1,556	1,847
Total assets	136,130	132,384	131,908	147,768	173,529	193,787
Total current liabilities	65,930	68,469	61,233	61,078	88,262	91,153
Total long-term liabilities	36,906	30,394	32,913	28,871	7,185	19,547
Total net assets	33,293	33,520	37,761	57,818	78,081	83,086
Total liabilities and net assets	136,130	132,384	131,908	147,768	173,529	193,787

	%					
Financial indicators						
Return on assets	2.25	3.76	(4.33)	(4.80)	2.44	6.96
Return on equity	1.32	(2.62)	(40.09)	(23.38)	2.22	9.43
Return on sales	0.33	(0.63)	(14.13)	(10.73)	0.96	3.68
Equity ratio	24.3	25.1	28.2	38.8	44.7	42.7
Current ratio	127.8	123.3	136.7	135.7	117.9	123.4

	Yen					
Per share						
Total net assets per share	¥ 272.21	¥ 274.05	¥ 306.54	¥ 471.98	¥ 638.73	¥ 680.11
Net income (loss) per share	3.60	(7.60)	(156.05)	(129.85)	14.62	61.69
Cash dividends per share	3.00	6.00	0.00	10.00	14.00	14.00

Financial Sectoin

Contents

Management's Discussion and Analysis

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

OVERVIEW

Management Strategy

The Sanken Group has mobilized technological and creative capabilities into its core semiconductor business and has worked to promote and develop a global business through the use of its proprietary technologies. At the same time, the Group has steadily worked to build a strong management base which ensures that we are maximizing corporate value, while also meeting our social responsibilities and our commitment to co-exist with the natural environment.

In the electronics industry to which the Group belongs, there is an increasing demand for electronic components that contribute towards "eco-friendly and energy-saving" functionalities. Set against this backdrop, we have defined our business to be centered upon "Power Electronics", and by using our advanced eco-friendly and energy-saving technologies as our leverage, we are looking to expand into global markets, advance the factors of development, production, sales and human resources that support the Group's world-wide operations, and become a company that has an edge against the competition.

As part of our medium-term management strategy, we have outlined five main themes for the Group. They are 1) transform the corporate culture of the Group to enable us to become a truly global company; 2) realize growth strategies that focus on the eco-friendly, energy-saving and green energy markets; 3) promote the development of new products through the formation of forward-looking technical marketing organizations, and the efficient management of development process; 4) pursue innovative products and increase competitiveness by enhancing FAE functions; and 5) maximize the use of Group resources and improve the financial conditions.

More specifically, in preparation for future business growth, we are accelerating efforts to expand into overseas markets and aggressively engaging in product development to capture the target markets of "eco-friendly and energy-saving, and green energy", "emerging countries", and "standard products". For this, we plan to comprehensively review our organizational and structural form ranging from product development to sales. We are aiming to increase the efficiency of, and better address the objectives and strategies of, the Group's research and development (R&D) functions through realignment of the R&D organization, enhance the Group's ability to produce in, or procure from, overseas markets, and make strategic improvements to the sales functions of the Group to acquire new customers.

By actively engaging in the actions above, we are also moving towards clarifying the Group's strategic priorities. This includes the establishment of a new Asia-based production center for semiconductor devices, sales expansion in the white-goods business, and the development and expansion of brand-new applications and under-cultivated markets for our device and module-related products.

Fund Procurement and Liquidity

The Group raises funds in a number of ways, including bond and commercial paper issuance, committed line of credit agreements and bank loans. As of March 31, 2012, short-term loans totaled ¥23,746 million (including long-term loans payable within one year of ¥5,025 million), commercial paper totaled ¥14,500 million, unsecured bonds redeemable in 2013 (issued September 2008) totaled ¥20,000 million, and long-term loans totaled ¥7,506 million. The Group's basic policy is to fund working capital and capital expenditures through internally generated funds. However, in some cases, in order to retain a sufficient level of cash flow to fund the capital expenditures necessary to maintain the Group's growth, we may raise outside funds by utilizing ¥15,500 million of unused commercial paper issuance facilities, ¥10,100 million of unused overdraft and ¥12,000 million in committed line of credit agreements, in addition to utilizing internally generated cash-flow from operations.

Dividend Policy

As a basic policy for distributing profits, the Sanken Group recognizes that returning profits to shareholders is one of its most important management priorities. Accordingly, we aim to provide stable returns by continually improving earnings capabilities and strengthening our financial position. We further intend to use retained earnings effectively to reinforce our corporate framework and expand the scope of our business, beginning with capital expenditures and R&D investments.

In accordance with this basic policy, the Group distributes its capital surplus to shareholders twice a year in the form of interim and year-end cash dividends. The decision-making bodies for dividends are the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends.

During the current consolidated fiscal year under review, we were faced with significant decline in sales mainly due to the impact of the European debt crisis, the strong yen and the flooding in Thailand. However, through efforts to strengthen our overall profit characteristics, we were able to finish the full-year in the black. In consideration of this difficult profit situation, we regrettably decided to skip the interim dividend, and set the year-end dividend of ¥3 per share to make the full-year dividend total of ¥3 per share. Please note that the funding source for the year-end dividend is the Group's other capital surplus.

RESULTS OF OPERATIONS

Summary

In the electronics industry to which the Group belongs, the start of the fiscal year saw production levels among Japanese automakers at a standstill mainly because of the remnants of the Great East Japan Earthquake. However, as supply chains were re-established, production recovered and by the end of the second quarter, the demand for automotive-related electronic components regained previous levels of strength. Despite this positive momentum, the economic slowdown in Europe resulted in lower production levels in emerging markets, meaning in turn that the Group faced increasingly tougher conditions during the year.

Amid this environment, the Group focused on efforts to increase sales in the both markets of "eco-friendly and energy-saving" and "emerging countries". Such efforts included the creation of collaborative framework for R&D resources across the entire Group, and the development of power semiconductor devices that not only reduced electricity consumption but featured highly advanced technologies. In addition, we significantly extended the Group's overall wafer production capacity through strengthening the front-end production lines for semiconductors, and also accelerated investment into production processes that are used in conjunction with 8-inch wafers, to ensure that we are able to reduce costs while at the same time increase production capabilities. With regard to back-end processes for semiconductor manufacturing, we added new sets of equipment to existing production capabilities in the fields of motor driver ICs for white goods and sensor ICs for the automotive sector, the two areas where demand is expected to rise in the near-term. Finally, we significantly reduced our breakeven point and improved our profit characteristics by terminating the production of unprofitable products, implementing structural reforms such as plant consolidations, and continuing to control fixed costs.

As a result, consolidated net sales for the fiscal year under review decreased by 9.0%, mainly due to the negative impact of the Great East Japan Earthquake and the strong yen, to finish at ¥131,803 million, while consolidated operating income decreased by 34.2% to ¥4,048 million. In terms of consolidated net income, we were able to post a profit of ¥436 million (as compared to a ¥922 million loss in the previous fiscal year) through the improvements made to the profit capabilities of the Group, despite an overall adverse environment.

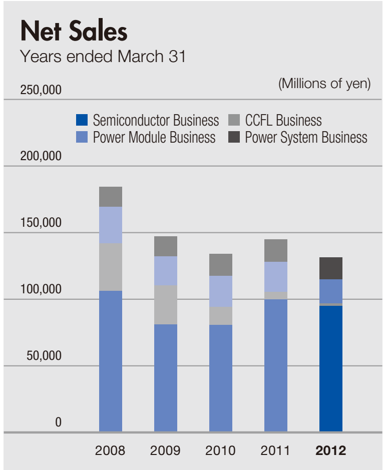
Results of Operations by Business Segment

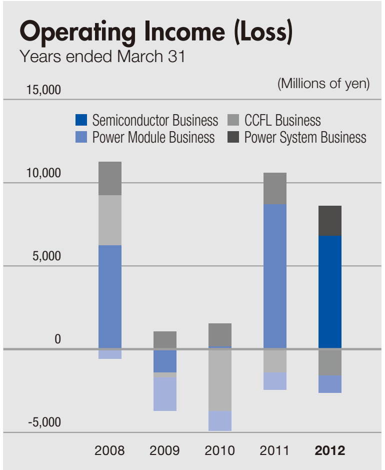
Semiconductor Devices Business

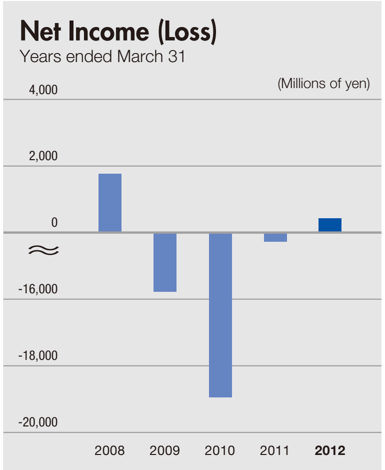
Consolidated net sales for this segment was ¥95,295 million, a ¥4,551 million (or 4.6%) decline from the previous fiscal year.

In the semiconductor device business, sales in Japan recovered to previous strong levels at the end of the second quarter as the remaining effects of the Great East Japan Earthquake faded away. At the same time, demand for sensor ICs from Europe and the US remained strong, leading our US-based subsidiary, Allegro MicroSystems, Inc., to record strong results for the consolidated fiscal year under review. On the other hand, the demand in the white goods sector, which had been performing well, became tougher as the backlash emerged from the rapid sales growth during the previous year due to the eco-point consumer incentive program and the severe summer heat wave, and the slowdown in emerging markets meant air-conditioner inventory adjustments. Finally, the market for flat screen TV devices remained relatively weak as measured in both units shipped and unit prices due primarily to the significant slowdown of the Japanese TV market.

As a result of the above, operating income for the segment totaled ¥6,827 million, a decline of ¥1,887 million (or 21.7%) from the previous fiscal year.







CCFL Business

Consolidated net sales for this segment was ¥1,966 million, a ¥3,962 million (or 66.8%) decline from the previous fiscal year.

During the current fiscal year under review, LED backlighting, our competing technology, continued to gain more acceptance in the market, and as such, the tough business environment continued. With this in mind, we took various corrective actions to improve profitability.

Against these efforts, though, the segment posted an operating loss of ¥1,575 million (as compared to a ¥1,425 million loss in the previous fiscal year).

Power Module Business

Consolidated net sales for this segment totaled ¥18,022 million, a ¥4,207 million (or 18.9%) decline as compared to the previous fiscal year.

Although we worked to increase the sale of devices designed for OA equipment such as multi-functional printers, it did not make up for the significant drop in sales due to the slumping TV market.

As a result, the segment posted an operating loss of ¥1,034 million (as compared to a ¥1,024 million loss in the previous fiscal year).

Power System Business

Consolidated net sales for this segment totaled ¥16,518 million, a ¥358 million (or 2.1%) decline from the previous fiscal year.

The market for telecommunications-related devices was negatively impacted by the cancellation or deferral of plant construction projects mainly due to the impact of the Great East Japan Earthquake. However, as the trend to enhance telecommunication capabilities started to gather momentum in the third-quarter, sales figures started to closely track the budget again. On the other hand, the impact of the Great East Japan Earthquake continued on the demand for devices aimed at public infrastructure projects (government, power companies, etc.), causing strain for orders received.

As a result, the segment posted an operating income of ¥1,782 million, a ¥88 million (or 4.7%) decline as compared to the previous fiscal year.

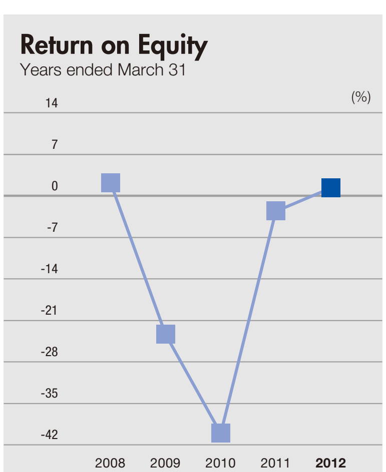
Other Income (Expenses)

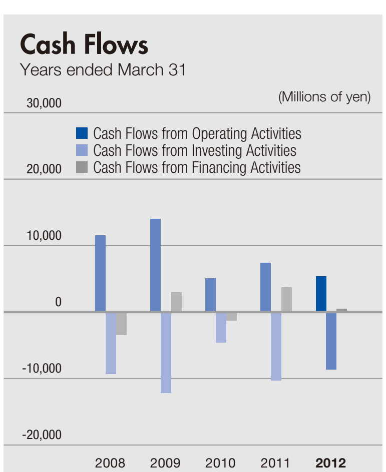
Other income (expenses) improved by ¥147 million as compared to the previous consolidated fiscal year, with the net expense amounting to ¥1,030 million. In the previous consolidated fiscal year, the Group posted a ¥813 million loss on natural disasters relating to the Great East Japan Earthquake, and a ¥1,707 million loss for the repurchase of stock options. In comparison to this, the Group posted a ¥290 million loss for natural disasters during the current consolidated fiscal year under review.

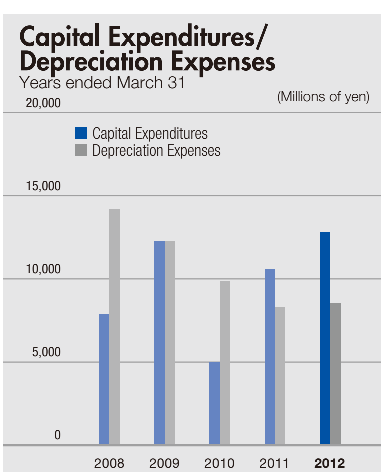
FINANCIAL POSITION

Assets

Total assets as of the end of the current consolidated fiscal year under review totaled ¥136,130 million, an increase of ¥3,746 million from the end of the previous consolidated fiscal year. Current assets decreased by ¥134 million as compared to the end of previous consolidated fiscal year to finish at ¥84,280 million. This was mainly due to increases of ¥3,967 million and ¥3,531 million in work in progress and lease tangible assets, and ¥2,924 million decreases in cash and deposits, respectively. Investments and long-term receivables fell by ¥100 million compared with the end of the previous consolidated fiscal year to finish at ¥3,624 million. This was mainly due to a decrease in the amount of investments in securities. Property, plant and equipment (net) increased by ¥3,871 million as compared to the end of the previous consolidated fiscal year to finish at ¥47,301 million, with the main reason behind this jump being the increase in machinery and equipment.







Liabilities

Current liabilities at the end of the current consolidated fiscal year under review decreased by ¥2,539 million compared with the end of the previous consolidated fiscal year to finish at ¥65,930 million. This was mainly the result of a ¥3,363 million increase in short-term bank loans being offset by decreases of ¥1,607 million and ¥4,500 million in notes and accounts payable, and commercial paper, respectively. Long-term liabilities at the end of the current consolidated fiscal year under review totaled ¥36,906 million, an increase of ¥6,512 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥2,474 million in long-term debt, and ¥2,805 million in lease liabilities.

Net Assets

Total net assets at the end of the current consolidated fiscal year under review totaled ¥33,293 million, a decrease of ¥227 million from the end of the previous consolidated fiscal year. Shareholders' equity (net assets minus stock acquisition rights and minority interests) decreased by ¥14 million as compared to the end of the previous consolidated fiscal year to finish at ¥42,497 million. This was mainly because of an increase of ¥386 million in retained earnings, a decrease of ¥365 million in capital surplus, and a decrease of ¥197 million in net unrealized gain on securities. Finally, the capital adequacy ratio at the end of the current consolidated fiscal year under review stood at 24.3%, a fall of 0.8% from the end of the previous consolidated fiscal year.

Cash Flows

Net cash flow from operating activities of the Sanken Group, including the increase inventories, totaled ¥5,345 million, a decrease of ¥2,047 million compared with the previous consolidated fiscal year. Net cash flow used for investing activities was ¥8,614 million, a decrease of ¥1,657 million as compared to the previous consolidated fiscal year mainly due to the reduction in purchases of property, plant and equipment. Net cash flow from financing activities totaled ¥509 million, a decrease of ¥3,218 million as compared to the previous consolidated fiscal year, primarily because of a decrease in short-term bank loans. As a result, the balance of interest-bearing debt at the end of the current consolidated fiscal year under review rose by ¥4,972 million compared with the end of the previous consolidated fiscal year to end at ¥69,998 million, increasing the interest-bearing debt to total assets ratio to 51.4%. Finally, the balance of cash and cash equivalents as of the end of the current consolidated fiscal year under review totaled ¥9,822 million, a ¥2,934 million decrease as compared to the end of the previous consolidated fiscal year.

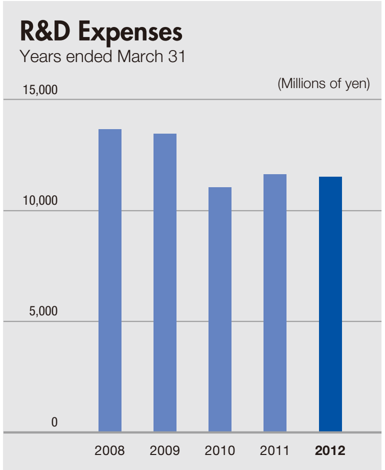
Capital Expenditures

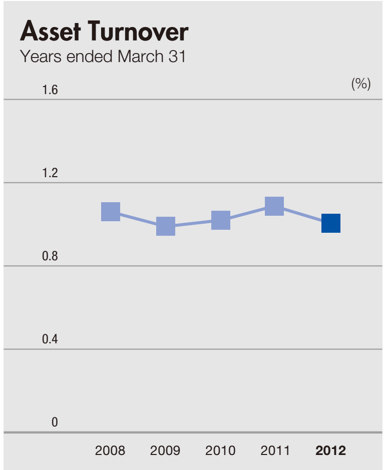
The Sanken Group's capital expenditures during the current consolidated fiscal year totaled ¥12,827 million and primarily consisted of purchases of production, testing and research equipment.

In the semiconductor devices business, Sanken Electric made capital expenditures of ¥713 million for production, testing and research equipment, and consolidated subsidiaries including Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd., Fukushima Sanken Co., Ltd., Dalian Sanken Electric Co., Ltd., Allegro MicroSystems, Inc. and Polar Semiconductor, Inc. made capital expenditures of ¥11,698 million to enhance production equipment.

In the CCFL business, Fukushima Sanken Co., Ltd. and Sanken Optoproducts Co., Ltd. made capital expenditures of ¥25 million for CCFLs production equipment and other equipment.

In the PM business, Sanken Electric made capital expenditures of ¥24 million for product molds and other equipment, and consolidated subsidiaries including P.T. Sanken Indonesia made capital expenditures of ¥111 million for production equipment, product





molds and other equipment.

In the PS business, Sanken Electric made capital expenditures of ¥14 million for product molds and other equipment, and consolidated subsidiaries including Sanken L.D. Electric (Jiang Yin) Co., Ltd. made capital expenditures of ¥63 million for production equipment and other equipment.

Funds for capital expenditures were provided principally from internal funds and loans.

BUSINESS RISKS

Management has identified the following issues as posing potential risks to the Group's business performance and financial condition. Concerning risks to business strategy, forecasts regarding the future presented here are judgments made as of the end of the consolidated fiscal year under review (March 31, 2012). It is important to keep in mind that actual outcomes may deviate considerably from these forecasts due to inherent uncertainties.

Strategy risk

New product development

The Sanken Group has to develop and introduce products that correspond to market needs in the electronics industry, which is characterized by drastic changes in the pace of technical progress and product cycles. Although the Group conducts R&D while continually monitoring market trends, its profitability, earnings, and financial condition could suffer if the Group fails to introduce products in a timely manner or its products fail to win acceptance in the marketplace.

Price competition

Price competition in the electronics industry is escalating. The emergence of competitors using production bases in Southeast Asia, and particularly China, has had a major impact on the determination of prices for the Company's products. While price competition is expected to continue escalating, the Group is responding by working to further reduce its cost of sales and to introduce high-value-added products that leverage its inherent technologies. However, the Group's profitability, earnings, and financial condition could suffer due to the appearance of products made by companies with a greater ability to respond to price reductions or to changes in demand by its customers.

Fund procurement

The Group procures funds necessary for capital investment and R&D through the issue of corporate bonds, the issue of commercial paper, and through commitment lines of credit and bank loans. In the event the Company's credit standing is judged to have declined by the bond market or by financial institutions, there may be restrictions on fund procurement methods or an increase in procurement costs, which could adversely affect the earnings and financial condition of the Company.

Intellectual property

The Group takes steps to differentiate its products from those of competitors by using proprietary technologies and know-how. Although the Company files and registers intellectual property rights as necessary to protect these technologies, such protections are inadequate in some nations and regions. As such, in some cases it may be impossible to effectively prohibit third parties from manufacturing analogous products that use the Group's intellectual property. Should a third party gain intellectual property rights related to the Group's business or possess such intellectual property rights without the Group's knowledge, the Group may be requested to pay royalties, prohibited from using the applicable intellectual property rights, or have a lawsuit brought against it by a third party asserting infringement of intellectual property rights. Such actions could give rise to an increase in costs and may limit the development and sales of products.

External risk

Economic environment

In addition to Japan, the Group produces products in several other nations and regions, including Asia, North America, and Europe. Overseas production value accounted for 43.1% of consolidated production value in fiscal 2009, 46.0% in fiscal 2010 and 44.0% in fiscal 2011. Overseas sales on a consolidated basis as a proportion of total sales in fiscal 2009, fiscal 2010 and fiscal 2011 were 54.8%, 56.3% and 52.9%, respectively. As a consequence, the Group's earnings and financial condition could be adversely affected by changes in the operating environment, including economic trends, in the relevant areas.

Exchange rates

The Group derives a portion of its earnings from production and sales in nations and regions outside of Japan, and related accounts are settled in U.S. dollars or the local currencies of the corresponding nations or regions. Consequently, exchange rates prevailing at the time of conversion into Japanese yen may affect earnings.

Exports as a share of the Company's sales were 38.0% in fiscal 2009, 37.6% in fiscal 2010 and 34.1% in fiscal 2011. Of these exports, the proportion denominated in foreign currencies was 91.2% in fiscal 2009, 91.4% in fiscal 2010 and 90.4% in fiscal 2011. To manage the exchange risk associated with transactions, the

Group engages in risk hedging, including through the hedging of the balances of payables, receivables, and turnover, by expanding overseas procurement of products and raw materials and through the use of forward currency contracts. By doing so, the Company aims to minimize the impact of short-term fluctuations in the exchange rates of major currencies, including the U.S. dollar and the Japanese yen.

Additionally, appreciation of the currencies in the regions and nations where the Group has production bases may drive up manufacturing and procurement costs. Higher costs would have the impact of lower margins and diminished price competitiveness, which may adversely affect earnings.

Internal risk

Legal restraints

The Group has production and sales bases in 11 regions and nations, including Japan, and establishes businesses subject to the application of various laws, ordinances, and regulations (hereinafter "legal restraints") specified in each region or nation. In addition, with respect to the export and import of technology, products, and materials necessary for sales and production by the Group around the world, business activities are subject to legal restraints relating to tariffs, trade, foreign currency, strategic materials, specific technologies, antitrust, patents, the environment, and other areas in each region and nation. Failure to comply with these legal restraints could result in restrictions on the Group's business activities or undermine public confidence, which may adversely affect the Company's earnings and financial condition.

Quality issues

The Group provides a variety of products that satisfy its own internal quality standards, as well as those of its customers. To sustain and improve its quality control system, the Company has acquired ISO 9001 certification, an international standard for quality management and, when necessary, acquires certification for product safety based on relevant standards, including those of Underwriters Laboratories Inc. However, these efforts do not guarantee that any or all products will not be defective, recalled, or require repair. Large-scale recalls, repairs, or product defects that result in liability for damage could potentially lead to substantial costs and diminished public confidence, which in turn could adversely affect the Company's earnings and financial condition.

Environmental problems

The Group complies with all legal restraints pertaining to the prevention of environmental damage and pollution in the nations and regions where it has production bases. As part of its own environmental activities, the Group pursues ISO 14001 certification, an international standard for environmental management systems. Also, the Group works to better understand and reduce the use of substances that carry environmental burdens and that are used in its production processes or contained in its products. Failure to comply with these restraints, the occurrence of an accident that results in the discharge of a large volume of hazardous substances, or the elimination of prohibited substances from products could result in substantial costs to rectify these situations. In addition, this could result in restrictions on business activities, liability for reparations to customers, and loss of public confidence, all of which could adversely affect the Company's earnings and financial position. Besides the above, in addition to possible occurrence of a calamity such as natural disaster, fire, or damage to the social or telecommunications infrastructure, there may be unforeseeable country risks such as a war, terrorist attack, epidemic of infectious disease, or significant changes to laws or the taxation system in a particular country or region.

Alternatively, there is the risk of legal action or the obligation to make compensation payments that could arise from a product defect causing the loss of life or impacting society, the environment, or business activities. Other risks include potential changes to the compulsory corporate contribution to retirement benefits and the increasing risk of improper or illegal use of company information, including personal information, as the use of information systems expand.

If any one or more of these potential risks occurs, and such an occurrence results in a lowering of public trust, suspension of business operations, or significant financial loss, there could be a detrimental impact on business performance.

Consolidated Balance Sheets

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

Assets	March 31, 2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Current assets:			
Cash and deposits (Notes 5 and 7)	¥ 9,901	¥ 12,826	$ 120,470
Notes and accounts receivable (Notes 6 and 7):			
Trade and other	31,455	32,772	382,710
Less allowance for doubtful receivables	(60)	(64)	(735)
	31,394	32,708	381,975
Inventories (Note 10)	40,516	36,438	492,958
Deferred tax assets (Note 18)	391	196	4,764
Other current assets	2,076	2,244	25,269
Total current assets	84,280	84,414	1,025,438
Investments and long-term receivables:			
Investments in other securities (Notes 7 and 8)	1,622	1,956	19,737
Deferred tax assets (Note 18)	176	162	2,152
Other long-term receivables	2,075	1,855	25,247
Less allowance for doubtful receivables	(249)	(249)	(3,032)
Total investments and long-term receivables	3,624	3,724	44,104
Property, plant and equipment, at cost (Note 11):			
Land	4,281	4,290	52,092
Buildings	55,810	54,162	679,045
Machinery and equipment	109,758	106,407	1,335,419
Construction in progress	4,601	5,724	55,986
	174,451	170,584	2,122,544
Less accumulated depreciation and impairment losses	(127,150)	(127,153)	(1,547,025)
Property, plant and equipment, net	47,301	43,430	575,518
Other assets (Note 11)	922	813	11,226
Total assets	¥ 136,130	¥ 132,384	$ 1,656,288

Liabilities and net assets	March 31, 2012 (Millions of yen)	March 31, 2011 (Millions of yen)	2012 (Thousands of U.S. dollars) (Note 4)
Current liabilities:			
Short-term bank loans (Notes 7 and 11)	¥ 18,721	¥ 17,357	$ 227,783
Current portion of long-term debt (Notes 7 and 11)	5,025	3,025	61,139
Commercial paper (Note 7)	14,500	19,000	176,420
Notes and accounts payable (Note 7):			
Trade and other	18,484	20,106	224,898
Construction	46	31	562
	18,530	20,138	225,460
Accrued bonuses for directors and corporate auditors	—	30	—
Accrued expenses	6,516	7,450	79,288
Lease obligations	1,044	216	12,707
Income taxes payable	514	395	6,259
Deferred tax liabilities (Note 18)	0	0	0
Other current liabilities	1,078	857	13,116
Total current liabilities	65,930	68,469	802,177
Long-term liabilities:			
Long-term debt (Notes 7 and 11)	27,506	25,031	334,666
Lease obligations	3,201	396	38,955
Accrued retirement benefits for directors	45	38	559
Asset retirement obligations	60	60	732
Accrued employees' retirement benefits (Note 17)	4,073	3,029	49,558
Deferred tax liabilities (Note 18)	356	572	4,337
Other long-term liabilities	1,662	1,265	20,226
Total long-term liabilities	36,906	30,394	449,037
Net assets (Note 19):			
Shareholders' equity:			
Common stock:			
Authorized – 257,000,000 shares			
Issued and outstanding: 2012 – 125,490,302 shares	20,896	—	254,249
2011 – 125,490,302 shares	—	20,896	—
Capital surplus	18,302	18,667	222,688
Retained earnings	7,220	6,834	87,852
Less treasury stock, at cost: 4,160,433 shares in 2012 and 4,138,777 shares in 2011	(3,922)	(3,916)	(47,726)
Total shareholders' equity (Note 25)	42,497	42,483	517,064
Accumulated other comprehensive income:			
Net unrealized gain on securities	15	212	187
Translation adjustments	(9,485)	(9,439)	(115,407)
Total accumulated other comprehensive income (loss)	(9,469)	(9,226)	(115,219)
Stock acquisition rights	—	—	—
Minority interests	265	263	3,228
Total net assets	33,293	33,520	405,073
Total liabilities and net assets	¥ 136,130	¥ 132,384	$ 1,656,288

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Operations

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Net sales	¥ 131,803	¥ 144,882	$ 1,603,638
Cost of sales (Notes 17, 20 and 24)	104,820	114,741	1,275,340
Gross profit	26,982	30,141	328,298
Selling, general and administrative expenses (Notes 13, 17, 20 and 24)	22,934	23,991	279,042
Operating income	4,048	6,149	49,255
Other income (expenses):			
Interest expense	(688)	(653)	(8,378)
Interest and dividend income	40	39	488
Foreign exchange loss	(167)	(452)	(2,039)
Impairment losses (Note 14)	(98)	(245)	(1,193)
Impairment loss on other securities (Note 8)	—	(274)	—
Loss on cancellation of treasury stock acquisition rights (Note 24)	—	(1,707)	—
Loss on natural disaster (Note 15)	(290)	(813)	(3,537)
Additional retirement benefits	(61)	(670)	(753)
Product compensation costs	(190)	(54)	(2,321)
Depreciation on idle assets	(174)	(159)	(2,121)
Other, net	129	(11)	1,573
	(1,502)	(5,004)	(18,282)
Income before income taxes and minority interests	2,545	1,144	30,973
Income taxes (Note 18):			
Current	2,423	2,402	29,487
Deferred	(320)	(530)	(3,901)
Prior year's income taxes	—	165	—
Income (loss) before minority interests	442	(893)	5,386
Minority interests in income (loss)	(6)	(29)	(77)
Net income (loss) (Note 25)	¥ 436	¥ (922)	$ 5,308

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,					
	2012		2011		2012	
	(Millions of yen)				(Thousands of U.S. dollars) (Note 4)	
Income (loss) before minority interests	¥	442	¥	(893)	$	5,386
Other comprehensive income:						
Net unrealized gain (loss) on securities		(197)		(12)		(2,403)
Translation adjustments		(47)		(2,664)		(580)
Total other comprehensive income (loss)		(245)		(2,676)		(2,984)
Comprehensive income (loss) (Note 16)	¥	197	¥	(3,570)	$	2,402
Breakdown:						
Comprehensive income (loss) attributable to owners of the Company	¥	192	¥	(3,575)	$	2,347
Comprehensive income attributable to minority interests		4		4		55

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31, 2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Shareholders' equity			
Common stock:			
Balance at the beginning of the year	¥ 20,896	¥ 20,896	$ 254,249
Balance at the end of the year	20,896	20,896	254,249
Capital surplus:			
Balance at the beginning of the year	18,667	21,246	227,131
Changes of items during the year:			
Deficit disposition	—	(2,214)	—
Cash dividends paid (other capital surplus)	(364)	(364)	(4,429)
Disposition of treasury stock	(1)	(0)	(13)
Total changes of items during the year	(365)	(2,578)	(4,442)
Balance at the end of the year	18,302	18,667	222,688
Retained earnings:			
Balance at the beginning of the year	6,834	5,543	83,154
Changes of items during the year:			
Increase (decrease) from change of fiscal year of consolidated subsidiaries	(50)	—	(610)
Deficit disposition	—	2,214	—
Cash dividends paid	—	—	—
Net income (loss)	436	(922)	5,308
Total changes of items during the year	386	1,291	4,697
Balance at the end of year	7,220	6,834	87,852
Treasury stock:			
Balance at the beginning of the year	(3,916)	(3,898)	(47,647)
Changes of items during the year:			
Acquisition of treasury stock	(8)	(18)	(97)
Disposition of treasury stock	1	1	19
Total changes of items during the year	(6)	(17)	(78)
Balance at the end of the year	(3,922)	(3,916)	(47,726)
Total shareholders' equity:			
Balance at the beginning of the year	42,483	43,788	516,888
Changes of items during the year:			
Increase (decrease) from change of fiscal year of consolidated subsidiaries	(50)	—	(610)
Deficit disposition	—	—	—
Cash dividends paid (other capital surplus)	(364)	(364)	(4,429)
Cash dividends paid	—	—	—
Net income (loss)	436	(922)	5,308
Acquisition of treasury stock	(8)	(18)	(97)
Disposition of treasury stock	0	0	6
Total changes of items during the year	14	(1,305)	176
Balance at the end of the year	42,497	42,483	517,064

Consolidated Statements of Changes in Net Assets (continued)

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

	2012 (Millions of yen)	2011 (Millions of yen)	2012 (Thousands of U.S. dollars) (Note 4)
Accumulated other comprehensive income			
Net unrealized gain on securities:			
Balance at the beginning of the year	¥ 212	¥ 225	$ 2,591
Changes of items during the year:			
Net changes of items other than shareholders' equity	(197)	(12)	(2,402)
Total changes of items during the year	(197)	(12)	(2,402)
Balance at the end of the year	15	212	187
Translation adjustments:			
Balance at the beginning of the year	(9,439)	(6,799)	(114,848)
Changes of items during the year:			
Net changes of items other than shareholders' equity	(45)	(2,639)	(558)
Total changes of items during the year	(45)	(2,639)	(558)
Balance at the end of the year	(9,485)	(9,439)	(115,407)
Total accumulated other comprehensive income:			
Balance at the beginning of the year	(9,226)	(6,574)	(112,257)
Changes of items during the year:			
Net changes of items other than shareholders' equity	(243)	(2,652)	(2,961)
Total changes of items during the year	(243)	(2,652)	(2,961)
Balance at the end of the year	(9,469)	(9,226)	(115,219)
Stock acquisition rights			
Balance at the beginning of the year	—	287	—
Changes of items during the year:			
Net changes of items other than shareholders' equity	—	(287)	—
Total changes of items during the year	—	(287)	—
Balance at the end of the year	—	—	—
Minority interests			
Balance at the beginning of the year	263	259	3,205
Changes of items during the year:			
Net changes of items other than shareholders' equity	1	3	22
Total changes of items during the year	1	3	22
Balance at the end of the year	265	263	3,228
Total net assets			
Balance at the beginning of the year	33,520	37,761	407,836
Changes of items during the year:			
Increase (decrease) from change of fiscal year of consolidated subsidiaries	(50)	—	(610)
Deficit disposition	—	—	—
Cash dividends paid (other capital surplus)	(364)	(364)	(4,429)
Cash dividends paid	—	—	—
Net income (loss)	436	(922)	5,308
Acquisition of treasury stock	(8)	(18)	(97)
Disposition of treasury stock	0	0	6
Net changes of items other than shareholders' equity	(241)	(2,936)	(2,939)
Total changes of items during the year	(227)	(4,241)	(2,762)
Balance at the end of the year	¥ 33,293	¥ 33,520	$ 405,073

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31, 2012 (Millions of yen)	Year ended March 31, 2011 (Millions of yen)	2012 (Thousands of U.S. dollars) (Note 4)
Operating activities			
Income (loss) before income taxes and minority interests	¥ 2,545	¥ 1,144	$ 30,973
Depreciation and amortization	8,467	8,272	103,021
Impairment losses	98	245	1,193
Decrease in allowance for doubtful receivables	(2)	(0)	(36)
Interest and dividend income	(40)	(39)	(488)
Interest expense	688	653	8,378
Increase in provision for retirement benefits for employees	1,063	380	12,936
Loss on cancellation of treasury stock acquisition rights	—	1,707	—
Decrease (increase) in notes and accounts receivable	1,140	110	13,882
Decrease (increase) in inventories	(3,999)	(2,080)	(48,657)
Increase (decrease) in notes and accounts payable	(1,510)	(678)	(18,381)
Other	(94)	1,036	(1,144)
Subtotal	8,356	10,752	101,677
Interest and dividends received	39	38	482
Interest paid	(705)	(659)	(8,588)
Income taxes paid	(2,345)	(2,739)	(28,538)
Net cash provided by operating activities	5,345	7,392	65,033
Investing activities			
Purchases of property, plant and equipment	(8,358)	(10,327)	(101,701)
Proceeds from sales of property, plant and equipment	4	126	54
Purchases of intangible assets	(251)	(175)	(3,054)
Purchases of investment securities	—	—	—
Increase in loans receivable	(19)	(9)	(233)
Proceeds from loans receivable	13	43	161
Other	(3)	69	(42)
Net cash used in investing activities	(8,614)	(10,272)	(104,816)
Financing activities			
Increase (decrease) in short-term bank loans	1,387	3,398	16,878
Increase (decrease) in commercial paper	(4,500)	4,000	(54,751)
Proceeds from issuance of long-term debt	7,500	—	91,251
Repayment of long-term debt	(3,023)	(1,125)	(36,789)
Repayment of finance lease obligations	(476)	(207)	(5,799)
Purchases of treasury stock acquisition rights	—	(1,949)	—
Proceeds from sales of treasury stock	0	0	6
Retirement of treasury stock	(8)	(18)	(97)
Cash dividends paid	(369)	(368)	(4,494)
Dividends paid to minority interests	—	—	—
Net cash provided by financing activities	509	3,728	6,203
Effect of exchange rate changes on cash and cash equivalents	51	(206)	623
Net increase (decrease) in cash and cash equivalents	(2,708)	642	(32,955)
Cash and cash equivalents at beginning of the year	12,756	12,114	155,212
Increase (decrease) in cash and cash equivalents due to change of fiscal year of consolidated subsidiaries	(225)	—	(2,742)
Cash and cash equivalents at end of the year (Note 5)	¥ 9,822	¥ 12,756	$ 119,514

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2012

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements of Sanken Electric Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accompanying consolidated financial statements for the year ended March 31, 2012 have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries. As of March 31, 2012, the number of consolidated subsidiaries was 29 (29 in 2011). Three subsidiaries are consolidated by using their financial statements as of their respective fiscal year end, i.e., December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. Significant intercompany transactions and account balances have been eliminated in consolidation. Generally, the difference, if significant in amount, between the cost and the equity in the underlying net assets of a consolidated subsidiary at the date acquired is capitalized in the year of acquisition and amortized principally over a five-year period.

Investment in a significant affiliate is accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost or less; where there has been a persistent decline in the value of such investments, they have been written down.

(c) Securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair market value with any changes in unrealized gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. The cost of securities sold is determined by the moving average method.

(d) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost and net realizable value. Cost is determined principally by the first-in, first-out method.

(e) Property, Plant and Equipment; Intangible Assets; Leased Assets; and Depreciation and Amortization

Property, plant and equipment are recorded at cost. Depreciation at the Company and its domestic subsidiaries is computed principally by the declining-balance method over the estimated useful lives of the respective assets except that the straight-line method is applied to buildings acquired on or after April 1, 1998. Depreciation at its overseas subsidiaries is computed principally by the straight-line method. The estimated useful lives are as follows:

Buildings	8 – 60 years
Machinery and equipment	3 – 12 years

Intangible assets are amortized over a period of 5 years by the straight-line method.

Leased assets under finance lease transactions that stipulate the transfer of ownership of the leased assets to the lessee are depreciated principally over the estimated useful lives of similar-owned assets by the straight-line method.

Leased assets under finance lease transactions that do not stipulate the transfer of ownership of the leased assets to the lessee are depreciated over their lease period by the straight-line method with a residual value of zero. Lease transactions which have been entered into before April 1, 2008 and do not stipulate the transfer of ownership of the leased assets to the lessee are accounted for as operating leases.

(f) Allowance for Doubtful Receivables

Estimated uncollectible amounts are calculated using historical data for trade receivables and individually considering the probability of collection of doubtful receivables.

(g) Accrued Bonuses for Directors and Corporate Auditors

Accrued bonuses for directors and corporate auditors are calculated based on estimated bonus payments attributable to the fiscal year.

(h) Employees' Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The overseas consolidated subsidiaries principally have defined contribution pension plans.

Accrued retirement benefits for employees have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for the net unrecognized actuarial gain or loss and unrecognized prior service cost.

Prior service cost is amortized from the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 10 through 18 years).

Net unrecognized actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 10 through 22 years).

(i) Retirement Benefits for Directors

To prepare for the payment of retirement benefits to directors and corporate auditors, a reserve for retirement benefits has been provided for the estimated amounts as of the year end based on the Company's internal rules.

The retirement benefits system for directors and corporate auditors of the Company was abolished in June 23, 2006.

(j) Foreign Currency Translation

All monetary assets and liabilities of the Company denominated in foreign currencies are translated into yen at the exchange rates prevailing as of the fiscal year end, and the resulting gain or loss is credited or charged to income.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the fiscal year-end exchange rates. Income statements of overseas consolidated subsidiaries are translated at average exchange rates. Differences arising from the translation are presented as translation adjustments and minority interests as components of net assets in its consolidated financial statements.

(k) Derivatives

The Company has entered into various derivatives transactions in order to manage its risk exposure arising from adverse fluctuation in foreign currency exchange rates and interest rates. Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income.

(l) Cash Equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

(m) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(n) Consolidated Taxation System

The Company and its domestic consolidated subsidiaries have adopted the consolidated taxation system from the fiscal year ended March 31, 2012.

2. Accounting Changes

There were no accounting changes.

3. Additional Information

Accounting Standard for Accounting Changes and Error Corrections

Effective April, 2012, the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, issued on December 14, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 14, 2009) have been applied to accounting changes and corrections of prior period errors.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥82.19 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2012. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

5. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and deposits with cash and cash equivalents as of March 31, 2012 and 2011:

	March 31, 2012	March 31, 2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and deposits	¥ 9,901	¥ 12,826	$ 120,470
Restricted cash	(78)	(69)	(956)
Cash and cash equivalents	¥ 9,822	¥ 12,756	$ 119,514

The following table represents significant non-cash transactions as of March 31, 2012 and 2011:

	March 31, 2012	March 31, 2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
The values of finance lease transactions entered into during the year	¥ 3,914	¥ 202	$ 47,626

6. Notes and Accounts Receivable

The retroactively adjusted liability upon transfer of export receivables was ¥444 million ($5,402 thousand) at March 31, 2012, and ¥1,451 million at March 31, 2011.

7. Financial Instruments

As of March 31, 2012

a. Summary of financial instruments

(1) Policy for financial instruments

The Group raises funds necessary for capital investments, R&D, etc. by bond issues and bank loans. It manages temporary surplus funds through highly secure financial instruments, and also raises short-term operating funds by issuing commercial paper and obtaining bank loans. The Group follows a policy of using derivatives to hedge foreign currency exchange fluctuation risks and avoids any speculative dealings.

(2) Financial instruments and their risks

Receivables resulting from the ordinary course of business, such as notes and accounts receivable-trade, are exposed to credit risk of customers. Receivables denominated in foreign currencies derived from global business operations are also exposed to foreign currency exchange fluctuation risks. The Group hedges these risks mainly through the use of forward exchange contracts against positions after netting payables denominated in the same foreign currencies, in principle. Investment securities are mainly the shares of corporations with which the Group has business relationships and therefore are exposed to the risk of market price fluctuations.

Payables from the ordinary course of business such as notes and accounts payable-trade are mostly to be settled in one year. As some of them are denominated in foreign currencies due to importing materials and exposed to foreign currency exchange fluctuation risks, they are constantly maintained within the range of receivables in the same currencies. Short-term bank loans and commercial paper are used for financing mainly in relation to operating funds, while long-term bank loans and bonds are used for the purpose of financing capital investments. Some have floating interest rates and are therefore exposed to the risk of interest rate fluctuation.

Forward exchange contracts are derivative transactions that are entered into in order to hedge foreign currency exchange fluctuation risks associated with foreign currency denominated receivables and payables arising from the ordinary course of business.

(3) Risk management for financial instruments

<1> Management of credit risk (risk of customer default)

The sales division of the Group regularly monitors the financial position of main customers and manages due dates and outstanding balances due from each customer in accordance with provisions of credit management regulations to minimize the risk of defaults resulting from the deterioration of a customer's financial position.

<2> Management of market risk (foreign exchange risk, interest rate risk and others)

For receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange fluctuation risks by currency each month and enters into forward exchange contracts to hedge such risk. Regarding the market price risk of investment securities, the Group regularly monitors the fair value of such securities as well as financial positions of the issuers. The Group also continuously reviews the status of possessing such securities taking into consideration business relationships with the issuers. When borrowing a bank loan with a floating interest rate, the Group reduces the risk by limiting the loan term to within three years in principle, monitoring the remaining term until the interest rate renewal date, monitoring the interest rate fluctuation trends, and responding in consideration of the balances between short-term loans and long-term loans or between fixed interest rates and floating interest rates.

In regard to derivative transactions, the finance division enters into contracts, confirms balances and keeps accounts based on the corporate policy. The status of derivative transactions is reported monthly to the management meeting.

<3> Management of liquidity risk (risk of failure to repay obligations)

The finance division manages liquidity risk in a timely manner by updating the cash-flow budget based on reports from each business division.

(4) Supplemental explanation of the fair value of financial instruments

Fair values of financial instruments are measured based on the quoted market price, if available, or are reasonably estimated if a quoted market price is not available. The fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

In addition, the contract amounts of the derivative transactions described below in "b. Fair value of financial instruments" do not represent the market risk of the derivative transactions.

b. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and difference as of March 31, 2012 are as follows. Financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please see "Note 2: Financial instruments for which the fair value is extremely difficult to measure," below)

	March 31, 2012					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Assets						
(1) Cash and deposits	¥ 9,901	¥ 9,901	¥ —	$ 120,470	$ 120,470	$ —
(2) Notes and accounts receivable-trade	29,989	29,989	—	364,885	364,885	—
(3) Investment securities Other securities	1,528	1,528	—	18,598	18,598	—
Total	¥ 41,419	¥ 41,419	¥ —	$ 503,954	$ 503,954	$ —
Liabilities						
(1) Notes and accounts payable-trade	¥ 18,530	¥ 18,530	¥ —	$ 225,460	$ 225,460	$ —
(2) Short-term bank loans and current portion of long-term debt	23,746	23,746	—	288,922	288,922	—
(3) Commercial paper	14,500	14,500	—	176,420	176,420	—
(4) Bonds	20,000	20,090	(90)	243,338	244,433	(1,095)
(5) Long-term debt (except for bonds)	7,506	7,506	—	91,328	91,328	—
(6) Lease obligations	4,246	4,120	125	51,663	50,138	1,524
Total	¥ 88,529	¥ 88,494	¥ 35	$1,077,133	$1,076,703	$ 429
Derivative transactions (*)	¥ (310)	¥ (310)	¥ —	$ (3,779)	$ (3,779)	$ —

(*) Derivative transactions are shown at the net value of the assets and liabilities arising from the transactions.

Note 1: Methods to measure the fair value of financial instruments, investment securities, and derivative transactions

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable-trade

The carrying amount approximates fair value because of the short maturities of these instruments.

(3) Investment securities

The fair value of equity securities equals quoted market prices, if available. Information on investment securities classified by holding purpose is described in "Note 8. Securities."

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term bank loans and current portion of long-term debt, and (3) Commercial paper

The carrying amount approximates fair value because of the short maturities of these instruments.

(4) Bonds

The fair value equals quoted market prices.

(5) Long-term debt (except for bonds)

The fair value of long-term debt on floating interest rates is nearly equal to the carrying value as market rate is reflected in a short period. The fair value of long-term debt on fixed interest rates is based on the present value of the total amount of principal and interest discounted by the interest rates that would presumably apply to similar debt.

(6) Lease obligations

The fair value of lease obligations is based on the present value of the total amount of payments discounted by the interest rates that would presumably apply to similar lease contracts.

Derivative transactions

Contract amounts and estimated fair value are described in "Note 9. Derivatives."

Note 2: Financial instruments for which the fair value is extremely difficult to measure

	March 31, 2012 Carrying amount	
	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted equity securities and others	**¥ 93**	**$ 1,139**

The above are not included in "Assets (3) Investment securities" because no quoted market price is available and it is extremely difficult to measure the fair value.

Note 3: The redemption schedule for receivables and investment securities with maturities subsequent to the consolidated closing date

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
		(Millions of yen)		
Cash and deposits	¥ 9,901	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	29,989	—	—	—
Investment securities				
Other securities with maturities	—	10	—	—
Total	¥ 39,891	¥ 10	¥ —	¥ —

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
		(Thousands of U.S. dollars)		
Cash and deposit	$ 120,470	$ —	$ —	$ —
Notes and accounts receivable-trade	364,885	—	—	—
Investment securities				
Other securities with maturities	—	121	—	—
Total	$ 485,356	$ 121	$ —	$ —

Note 4: The redemption schedule for bonds and long-term debt with maturities subsequent to the consolidated closing date is described in "Note 11. Short-Term Borrowings and Long-Term Debt."

As of March 31, 2011

a. Summary of financial instruments

(1) Policy for financial instruments

The Group raises funds necessary for capital investments, R&D, etc. by bond issues and bank loans. It manages temporary surplus funds through highly secure financial instruments, and also raises short-term operating funds by issuing commercial paper and obtaining bank loans. The Group follows a policy of using derivatives to hedge foreign currency exchange fluctuation risks and avoids any speculative dealings.

(2) Financial instruments and their risks

Receivables resulting from the ordinary course of business, such as notes and accounts receivable-trade, are exposed to credit risk of customers. Receivables denominated in foreign currencies derived from global business operations are also exposed to foreign currency exchange fluctuation risks. The Group hedges these risks mainly through the use of forward exchange contracts against positions after netting payables denominated in the same foreign currencies, in principle. Investment securities are mainly the shares of corporations with which the Group has business relationships and therefore are exposed to the risk of market price fluctuations.

Payables from the ordinary course of business such as notes and accounts payable-trade are mostly to be settled in one year. As some of them are denominated in foreign currencies due to importing materials and exposed to foreign currency exchange fluctuation risks, they are constantly maintained within the range of receivables in the same currencies. Short-term bank loans and commercial paper are used for financing mainly in relation to operating funds, while long-term bank loans and bonds are used for the purpose of financing capital investments. Some have floating interest rates and are therefore exposed to the risk of interest rate fluctuation.

Forward exchange contracts are derivative transactions that are entered into in order to hedge foreign currency exchange fluctuation risks associated with foreign currency denominated receivables and payables arising from the ordinary course of business.

(3) Risk management for financial instruments

<1> Management of credit risk (risk of customer default)

The sales division of the Group regularly monitors the financial position of main customers and manages due dates and outstanding balances due from each customer in accordance with provisions of credit management regulations to minimize the risk of defaults resulting from the deterioration of a customer’s financial position.

<2> Management of market risk (foreign exchange risk, interest rate risk and others)

For receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange fluctuation risks by currency each month and enters into forward exchange contracts to hedge such risk. Regarding the market price risk of investment securities, the Group regularly monitors the fair value of such securities as well as financial positions of the issuers. The Group also continuously reviews the status of possessing such securities taking into consideration business relationships with the issuers. When borrowing a bank loan with a floating interest rate, the Group reduces the risk by limiting the loan term to within three years in principle, monitoring the remaining term until the interest rate renewal date, monitoring the interest rate fluctuation trends, and responding in consideration of the balances between short-term loans and long-term loans or between fixed interest rates and floating interest rates.

In regard to derivative transactions, the finance division enters into contracts, confirms balances and keeps accounts based on the corporate policy. The status of derivative transactions is reported monthly to the management meeting.

<3> Management of liquidity risk (risk of failure to repay obligations)

The finance division manages liquidity risk in a timely manner by updating the cash-flow budget based on reports from each business division.

(4) Supplemental explanation of the fair value of financial instruments

Fair values of financial instruments are measured based on the quoted market price, if available, or are reasonably estimated if a quoted market price is not available. The fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

In addition, the contract amounts of the derivative transactions described below in “b. Fair value of financial instruments” do not represent the market risk of the derivative transactions.

b. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and difference as of March 31, 2011 are as follows. Financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please see “Note 2: Financial instruments for which the fair value is extremely difficult to measure,” below)

	March 31, 2011					
	Carrying amount		Fair value		Difference	
	(Millions of yen)					
Assets						
(1) Cash and deposits	¥	12,826	¥	12,826	¥	—
(2) Notes and accounts receivable-trade		31,208		31,208		—
(3) Investment securities						
Other securities		1,862		1,862		—
Total	¥	45,896	¥	45,896	¥	—
Liabilities						
(1) Notes and accounts payable-trade	¥	20,138	¥	20,138	¥	—
(2) Short-term bank loans and current portion of long-term debt		20,382		20,382		—
(3) Commercial paper		19,000		19,000		—
(4) Bonds		20,000		20,120		(120)
(5) Long-term debt (except for bonds)		5,031		5,047		(15)
(6) Lease obligations		612		600		12
Total	¥	85,164	¥	85,287	¥	(123)
Derivative transactions (*)	¥	(78)	¥	(78)	¥	—

(*) Derivative transactions are shown at the net value of the assets and liabilities arising from the transactions.

Note 1: Methods to measure the fair value of financial instruments, investment securities, and derivative transactions

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable-trade

The carrying amount approximates fair value because of the short maturities of these instruments.

(3) Investment securities

The fair value of equity securities equals quoted market prices, if available. Information on investment securities classified by holding purpose is described in "Note 8. Securities."

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term bank loans and current portion of long-term debt, and (3) Commercial paper

The carrying amount approximates fair value because of the short maturities of these instruments.

(4) Bonds

The fair value equals quoted market prices.

(5) Long-term debt (except for bonds)

The fair value of long-term debt on floating interest rates is nearly equal to the carrying value as market rate is reflected in a short period. The fair value of long-term debt on fixed interest rates is based on the present value of the total amount of principal and interest discounted by the interest rates that would presumably apply to similar debt.

(6) Lease obligations

The fair value of lease obligations is based on the present value of the total amount of payments discounted by the interest rates that would presumably apply to similar lease contracts.

Derivative transactions

Contract amounts and estimated fair value are described in "Note 9. Derivatives."

Note 2: Financial instruments for which the fair value is extremely difficult to measure

	March 31, 2011 Carrying amount
	(Millions of yen)
Unlisted equity securities and others	¥ 93

The above are not included in "Assets (3) Investment securities" because no quoted market price is available and it is extremely difficult to measure the fair value.

Note 3: The redemption schedule for receivables and investment securities with maturities subsequent to the consolidated closing date

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
	(Millions of yen)			
Cash and deposits	¥ 12,826	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	31,208	—	—	—
Investment securities				
Other securities with maturities	—	10	—	—
Total	¥ 44,034	¥ 10	¥ —	¥ —

Note 4: The redemption schedule for bonds and long-term debt with maturities subsequent to the consolidated closing date is described in "Note 11. Short-Term Borrowings and Long-Term Debt."

8. Securities

As of March 31, 2012

(1) Other securities

Marketable securities classified as other securities at March 31, 2012 are summarized as follows:

	March 31, 2012					
	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Carrying amount	Acquisition cost	Net unrealized gain (loss)
	(Millions of yen)			(Thousands of U.S. dollars)		
Securities whose carrying amount exceeds their acquisition cost:						
Equity securities	¥ 470	¥ 259	¥ 211	$ 5,727	$ 3,159	$ 2,568
Securities whose acquisition cost exceeds their carrying amount:						
Equity securities	1,057	1,244	(187)	12,870	15,147	(2,277)
	¥ 1,528	¥ 1,504	¥ 23	$ 18,598	$ 18,307	$ 290

As of March 31, 2011

(1) Other securities

Marketable securities classified as other securities at March 31, 2011 are summarized as follows:

	March 31, 2011		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
		(Millions of yen)	
Securities whose carrying amount exceeds their acquisition cost:			
Equity securities	¥ 1,324	¥ 913	¥ 411
Securities whose acquisition cost exceeds their carrying amount:			
Equity securities	537	590	(53)
	¥ 1,862	¥ 1,504	¥ 357

(2) Impairment of other securities

Impairment losses on securities classified as other securities for the year ended March 31, 2011 amounted to ¥274 million.

9. Derivatives

Summarized below are the contract amounts and estimated fair value of the Company's open derivatives positions at March 31, 2012 and 2011, for which deferral hedge accounting has not been applied:

	2012		2011		2012	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
	(Millions of yen)				(Thousands of U.S. dollars)	
Forward foreign exchange contracts:						
Sell U.S. dollars	¥ 7,158	¥ (310)	¥ 10,363	¥ (78)	$ 87,091	$ (3,779)

10. Inventories

Inventories at March 31, 2012 and 2011 were as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Finished products	¥ 11,391	¥ 11,352	$ 138,600
Work in process	18,269	14,302	222,282
Raw materials and supplies	10,855	10,783	132,076
	¥ 40,516	¥ 36,438	$ 492,958

The book values of inventories were written down to reflect the decline in profitability by ¥554 million ($6,744 thousand) for the year ended March 31, 2012 and ¥299 million for the year ended March 31, 2011. The inventory write-downs were included in "Cost of sales."

11. Short-Term Borrowings and Long-Term Debt

Short-term bank loans generally represent notes and overdraft. The related weighted average interest rates at March 31, 2012 and 2011 were approximately 0.88% and 0.80%, respectively. The weighted average interest rates applicable to the current portion of long-term debt (excluding lease obligations) at March 31, 2012 and 2011 were approximately 2.25% and 1.23%, respectively. The weighted average interest rates applicable to commercial paper at March 31, 2012 and 2011 were approximately 0.28% and 0.28%, respectively. The weighted average interest rates applicable to current portion of lease obligations at March 31, 2012 and 2011 were approximately 1.79% and 2.11%, respectively.

Long-term debt at March 31, 2012 and 2011 is summarized as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Loans payable in yen due serially through 2013 at a weighted average rate of 1.38%	¥ 12,531	¥ 8,056	$ 152,467
1.66% bonds due 2013	20,000	20,000	243,338
Lease obligations at a weighted average rate of 1.80%	4,246	612	51,662
	36,777	28,669	447,467
Less current portion	(6,069)	(3,241)	(73,846)
	¥ 30,708	¥ 25,428	$ 373,621

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees as appropriate) for present and future indebtedness be given at the request of the bank, and that the bank has the right, as the obligations become due, or in the event of default thereon, to offset cash deposits against any such obligations due to the bank. Under certain loan agreements relating to long-term debt, the creditors may require the Company to submit proposals for appropriations of retained earnings (including the payment of dividends) for the creditors' review and approval prior to their presentation to the shareholders. None of the creditors has ever exercised these rights.

The aggregate annual maturities of long-term debt (excluding lease obligations) subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2014	¥ 6	$ 76
2015	7,500	91,251
	¥ 7,506	$ 91,328

The aggregate annual maturities of lease obligations subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2014	¥ 956	$ 11,640
2015	863	10,509
2016	821	9,999
2017	559	6,802
2018 and thereafter	0	4
	¥ 3,201	$ 38,955

At March 31, 2012 and 2011, the assets pledged as collateral for short-term bank loans and long-term debt were as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Land	**¥ 943**	¥ 944	**$ 11,480**
Buildings	**2,509**	2,936	**30,537**
Other assets	**—**	95	**—**
	¥ 3,453	¥ 3,975	**$ 42,018**

At March 31, 2012 and 2011, short-term bank loans and long-term debt secured by collateral were as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term bank loans and current portion of long-term debt	**¥ 5,025**	¥ 25	**$ 61,142**
Long-term debt	**6**	5,031	**77**
	¥ 5,031	¥ 5,056	**$ 61,219**

12. Lines of Credit

The Company and certain overseas subsidiaries have committed line-of-credit agreements and have entered into overdraft agreements with certain financial institutions in order to raise operating funds efficiently. The balances of credit available at March 31, 2012 and 2011 are summarized as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Total committed lines of credit and overdraft	¥ 38,860	¥ 40,817	$ 472,814
Outstanding balance	12,676	11,581	154,236
Remaining balance	¥ 26,183	¥ 29,235	$ 318,578

13. Selling, General and Administrative Expenses

The principal components of selling, general and administrative expenses for the years ended March 31, 2012 and 2011 are summarized as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Salaries and bonuses	¥ 9,252	¥ 9,516	$ 112,571
Packing and shipping expenses	679	825	8,263
Outside services	1,725	1,904	20,997
Retirement benefit expenses	559	439	6,802
Provision for directors' retirement benefits	7	6	90
Provision for directors' bonuses	—	30	—
Provision for doubtful receivables	11	5	141

14. Impairment Losses

Fixed assets are grouped by business segments with idle properties along with individual properties constituting a separate group.

Impairment losses were recognized on the following asset group for the year ended March 31, 2012.

Use	Location	Asset category
PM products manufacturing facilities, and others	P.T. Sanken Indonesia (Bekasi, West Java, Indonesia), and others	Machinery and equipment, and others

The PM business recognized net operating loss for the year ended March 31, 2012 due to a sales decrease resulting from inventory adjustments and difficulties in parts procurement and rising parts prices, and future cash flows from this business segment cannot be expected. As a result, the PM business recognized impairment losses of ¥98 million ($1,193 thousand) on those assets by devaluing their carrying amounts to the recoverable amounts, which are their net selling prices.

Impairment losses were recognized on the following asset group for the year ended March 31, 2011.

Use	Location	Asset category
PM products manufacturing facilities, and others	P.T. Sanken Indonesia (Bekasi, West Java, Indonesia), and others	Machinery and equipment, and others
Idle assets	Sanken Electric Co., Ltd. Niiza Factory (Niiza-shi, Saitama), and others	Machinery and equipment, and others

The PM business recognized net operating loss for the year ended March 31, 2011 due to a sales decrease resulting from inventory adjustments and difficulties in parts procurement and rising parts prices, and future cash flows from this business segment cannot be expected. As a result, the PM business recognized impairment losses of ¥195 million on those assets by devaluing their carrying amounts to the recoverable amounts, which are their net selling prices.

In addition, impairment losses of ¥50 million were recognized on idle assets such as semiconductor manufacturing facilities for the semiconductor devices business and the CCFL business, which were no longer utilized, by devaluing the carrying amounts to recoverable amounts, which are their net selling prices.

15. Loss on Natural Disaster

Loss on natural disaster for the year ended March 31, 2012 relates to the aftershocks of the Great East Japan Earthquake, and consists of the following costs.

	2012			
	(Millions of yen)		(Thousands of U.S. dollars)	
Fixed costs during the shutdown period of operations	¥	205	$	2,494
Repair costs		30		366
Other costs		55		677
Total	¥	290	$	3,537

Loss on natural disaster for the year ended March 31, 2011 relates to the Great East Japan Earthquake, and consists of the following costs.

	2011	
	(Millions of yen)	
Fixed costs during the shutdown period of operations	¥	587
Repair costs		141
Other costs		84
Total	¥	813

16. Reclassification Adjustments and Tax Effect on Components of Other Comprehensive Income

Reclassification adjustment and tax effect on components of other comprehensive income for the year ended March 31, 2012 are summarized as follows:

	2012			
	(Millions of yen)		(Thousands of U.S. dollars)	
Net unrealized gain (loss) on securities				
Amount arising during the year	¥	(333)	$	(4,063)
Reclassification adjustment		—		—
Before tax effect		(333)		(4,063)
Tax effect		136		1,660
Net unrealized gain (loss) on securities	¥	(197)	$	(2,403)
Translation adjustments				
Amount arising during the year	¥	(47)	$	(580)
Translation adjustments	¥	(47)	$	(580)
Total other comprehensive income (loss)	¥	(245)	$	(2,984)

17. Retirement Benefit Plans

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2012 and 2011 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation	¥ (28,346)	¥ (26,350)	$ (344,889)
Plan assets at fair value	18,861	18,435	229,486
Unfunded retirement benefit obligation	(9,484)	(7,915)	(115,402)
Unrecognized actuarial loss	6,492	6,168	78,996
Unrecognized prior service cost	(1,070)	(1,259)	(13,027)
Net retirement benefit obligation	(4,062)	(3,006)	(49,433)
Prepaid pension cost	10	22	125
Accrued retirement benefits	¥ (4,073)	¥ (3,029)	$ (49,558)

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are outlined as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,388	¥ 1,365	$ 16,892
Interest cost	574	556	6,990
Expected return on plan assets	(37)	(496)	(459)
Amortization of actuarial loss	945	960	11,500
Amortization of prior service cost	(189)	(200)	(2,306)
Total	¥ 2,680	¥ 2,185	$ 32,616

For the years ended March 31, 2012 and 2011, contributions to the assets of the defined contribution pension plan, which are recognized as expenses, totaled ¥365 million ($4,445 thousand) and ¥328 million, respectively.

The assumptions used in accounting for the above plans were as follows:

	2012		2011	
	Domestic companies	Overseas companies	Domestic companies	Overseas companies
Discount rates	1.5% – 2.0%	4.0% – 7.0%	2.0%	4.0% – 9.0%
Expected rates of return on plan assets	0.0%	4.0% – 9.5%	1.7% – 2.7%	4.0% – 8.8%

18. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in an effective statutory tax rate of approximately 40.4% for the years ended March 31, 2012 and 2011.

Reconciliation between the effective tax rate reflected in the consolidated statement of operations and the effective statutory tax rate for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Effective statutory tax rate	40.4%	—
Effect of:		
Non-deductible expenses for income tax purposes	2.0	—
Non-taxable dividend income	(12.1)	—
Inhabitants' per capita taxes	0.8	—
Foreign tax rate difference	(28.1)	—
Changes in valuation allowance	79.6	—
Other, net	(0.0)	—
Effective tax rates	82.6%	—

Reconciliation between the effective statutory income tax rate and the effective income tax rate for financial statement purposes for the years ended March 31, 2011 was omitted as a net loss was recorded.

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to corporate taxes effective for fiscal years beginning on or after April 1, 2012.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 40.4% to 37.8% for the temporary differences expected to be realized or settled in the period from April 1, 2012 to March 31, 2015 and from 40.4% to 35.4% for temporary differences expected to be realized or settled from fiscal years beginning April 1, 2015. The effect of the announced reduction of the effective statutory tax rate was not material as of and for the year ended March 31, 2012.

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Net operating loss carryforwards	¥ 14,102	¥ 13,313	$ 171,586
Accrued retirement benefits	1,512	1,194	18,407
Inventories	2,050	2,182	24,952
Accrued bonuses	553	1,040	6,738
Net unrealized holding gain	362	243	4,409
Tax credit carryforwards	2,118	1,050	25,771
Impairment losses	1,384	2,524	16,850
Other	1,474	1,053	17,943
Gross deferred tax assets	23,560	22,602	286,660
Valuation allowance	(22,033)	(21,023)	(268,079)
Total deferred tax assets	1,527	1,578	18,581
Deferred tax liabilities:			
Fixed assets	(1,106)	(1,339)	(13,462)
Reserve for special depreciation	(56)	(110)	(687)
Net unrealized gains on securities	(8)	(144)	(104)
Other	(143)	(197)	(1,749)
Total deferred tax liabilities	(1,315)	(1,792)	(16,003)
Net deferred tax assets (liabilities)	¥ 211	¥ (213)	$ 2,577

19. Shareholders' Equity

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and the excess, if any, of 25% of common stock over the total of additional paid-in capital and the legal earnings reserve must be set aside as additional paid-in capital or a legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as a legal earnings reserve until the total of the legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, the legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. Under the Code, however, on the condition that the total amount of the legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting.

Under the Law, all additional paid-in capital and all legal earnings reserves may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on June 22, 2012, the shareholders resolved cash dividends amounting to ¥363 million ($4,428 thousand) by using capital surplus. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2012 and are recognized in the period in which they are resolved.

At the annual shareholders' meeting held on June 24, 2011, the shareholders resolved cash dividends amounting to ¥364 million by using capital surplus.

20. Research and Development Expenses

Research and development expenses for the years ended March 31, 2012 and 2011 were ¥11,532 million ($140,320 thousand) and ¥11,640 million, respectively.

21. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of the leased property at March 31, 2012 and 2011, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs	¥ 354	¥ 797	$ 4,316
Accumulated depreciation	304	659	3,704
Accumulated impairment losses	0	6	11
Net book value	¥ 49	¥ 131	$ 599

With respect to finance lease contracts other than those under which the title of the leased equipment will be transferred to the Company by the end of the contract period, annual lease expenses for the years ended March 31, 2012 and 2011 and future minimum lease payments subsequent to March 31, 2012 and 2011 are summarized as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Lease expenses	¥ 107	¥ 166	$ 1,302
Future minimum lease payments:			
Within one year	¥ 33	¥ 107	$ 409
Over one year	16	31	202
	¥ 50	¥ 138	$ 611

Future minimum lease payments subsequent to March 31, 2012 and 2011 for noncancellable operating leases are as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Due in one year or less	¥ 378	¥ 398	$ 4,611
Due after one year	1,711	1,903	20,826
	¥ 2,090	¥ 2,302	$ 25,437

22. Segment Information

a. Outline of reportable segments

The reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic analysis to determine the distribution of management resources and evaluate their business results.

The Company has its business units identified by products. Each business unit plans its comprehensive domestic and overseas strategy for its products, and operates its business activities. Therefore, the Company consists of its business units, identified by principal products, which are the four reportable segments of the “Semiconductor Devices Business,” the “CCFL Business,” the “Power Module Business” and the “Power System Business.”

The Semiconductor Devices Business mainly manufactures and sells power ICs, control ICs, Hall-effect ICs, bipolar transistors, MOSFET, IGBT, thyristors, rectifier diodes and light emitting diodes (LEDs). The CCFL Business manufactures and sells cold cathode fluorescent lamps. The Power Module Business mainly manufactures and sells switching mode power supply units and transformers. The Power System Business mainly manufactures and sells uninterruptible power supplies (UPS), inverters, DC power supplies, airway beacon systems and general purpose power supplies.

b. Calculation methods of the reportable segment sales, income (loss), assets, and other items

The accounting method applied for reportable segments is the same as the basis of preparation for the consolidated financial statements. Intersegment sales and transfers are based on the prices in arm’s-length transactions.

c. Information about sales and segment income (loss) by reportable segments

Year ended March 31, 2012	Reportable segments: Semiconductor Devices Business	CCFL Business	Power Module Business	Power System Business	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales:							
(1) Sales to customers	¥ 95,295	¥ 1,966	¥ 18,022	¥ 16,518	¥ 131,803	¥ —	¥ 131,803
(2) Intersegment sales and transfers	1,403	—	531	0	1,935	(1,935)	—
Total sales	96,698	1,966	18,554	16,519	133,738	(1,935)	131,803
Segment income (loss)	¥ 6,827	¥ (1,575)	¥ (1,034)	¥ 1,782	¥ 6,000	¥ (1,951)	¥ 4,048
Segment assets	¥ 94,402	¥ 5,728	¥ 14,667	¥ 9,017	¥ 123,817	¥ 12,312	¥ 136,130
Others:							
Depreciation and amortization	7,870	96	69	144	8,181	285	8,467
Impairment losses	—	—	98	—	98	—	98
Increase in property, plant, equipment and intangible assets	12,341	56	138	85	12,621	264	12,885
	(Thousands of U.S. dollars)						
Year ended March 31, 2012							
Sales:							
(1) Sales to customers	$1,159,451	$ 23,922	$ 219,282	$ 200,981	$1,603,638	$ —	$1,603,638
(2) Intersegment sales and transfers	17,071	—	6,470	9	23,550	(23,550)	—
Total sales	1,176,523	23,922	225,752	200,991	1,627,189	(23,550)	1,603,638
Segment income (loss)	$ 83,066	$ (19,172)	$ (12,581)	$ 21,692	$ 73,004	$ (23,748)	$ 49,255
Segment assets	$1,148,591	$ 69,701	$ 178,464	$ 109,721	$1,506,479	$ 149,809	$1,656,288
Others:							
Depreciation and amortization	95,761	1,176	851	1,757	99,546	3,475	103,021
Impairment losses	—	—	1,193	—	1,193	—	1,193
Increase in property, plant, equipment and intangible assets	150,153	687	1,684	1,038	153,564	3,214	156,779

Notes:

1. Adjustments for segment income (loss) of ¥(1,951) million ($(23,748) thousand) include corporate expenses. They are mainly general and administrative expenses, which are not allocable to the reportable segments.
2. Adjustments for segment assets of ¥12,312 million ($149,809 thousand) include corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly surplus operating capital (cash and deposits), long-term investments (investment securities) and assets related to administrative departments of the Company.
3. Adjustments for depreciation and amortization of ¥285 million ($3,475 thousand) are mainly administrative expenses.
4. Adjustments for increase in property, plant, equipment and intangible assets of ¥264 million ($3,214 thousand) are assets related to administrative departments of the Company.

Year ended March 31, 2011	Reportable segments: Semiconductor Devices Business	CCFL Business	Power Module Business	Power System Business	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales:							
(1) Sales to customers	¥ 99,846	¥ 5,928	¥ 22,230	¥ 16,877	¥ 144,882	¥ —	¥144,882
(2) Intersegment sales and transfers	2,248	—	340	0	2,589	(2,589)	—
Total sales	102,095	5,928	22,570	16,878	147,472	(2,589)	144,882
Segment income (loss)	¥ 8,714	¥ (1,425)	¥ (1,024)	¥ 1,871	¥ 8,135	¥ (1,985)	¥ 6,149
Segment assets	¥ 84,108	¥ 6,193	¥ 16,168	¥ 9,674	¥ 116,145	¥ 16,238	¥ 132,384
Others:							
Depreciation and amortization	7,550	196	81	151	7,980	292	8,272
Impairment losses	41	8	195	—	245	—	245
Increase in property, plant, equipment and intangible assets	10,546	79	243	90	10,960	137	11,097

Notes:

1. Adjustments for segment income (loss) of ¥(1,985) million include corporate expenses. They are mainly general and administrative expenses, which are not allocable to the reportable segments.
2. Adjustments for segment assets of ¥16,238 million include corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly surplus operating capital (cash and deposits), long-term investments (investment securities) and assets related to administrative departments of the Company.
3. Adjustments for depreciation and amortization of ¥292 million are mainly administrative expenses.
4. Adjustments for increase in property, plant, equipment and intangible assets of ¥137 million are assets related to administrative departments of the Company.

d. Related information

Information about geographical area

Year ended March 31, 2012

(1) Sales

Japan	Asia	North America	Europe	Others	Total
(Millions of yen)					
¥ 61,976	¥ 45,906	¥ 12,613	¥ 11,304	¥ 1	¥ 131,803
(Thousands of U.S. dollars)					
$ 754,063	$ 558,535	$ 153,473	$ 137,543	$ 22	$ 1,603,638

(2) Property, plant and equipment

Japan	North America	Asia	Others	Total
(Millions of yen)				
¥ 27,499	¥ 16,357	¥ 3,104	¥ 340	¥ 47,301
(Thousands of U.S. dollars)				
$ 334,589	$ 199,018	$ 37,771	$ 4,139	$ 575,518

Year ended March 31, 2011

(1) Sales

Japan	Asia	North America	Europe	Others	Total
(Millions of yen)					
¥ 63,243	¥ 56,984	¥ 13,498	¥ 11,154	¥ 2	¥ 144,882

(2) Property, plant and equipment

Japan	North America	Asia	Others	Total
(Millions of yen)				
¥ 25,683	¥ 14,836	¥ 2,537	¥ 373	¥ 43,430

23. Related Party Transactions

There were no significant transactions with related parties for the years ended March 31, 2012 and 2011.

24. Stock Option Plans

For the year ended March 31, 2011

The amount of stock option compensation recognized for the year ended March 31, 2011 was ¥16 million, ¥4 million was included in cost of sales and ¥11 million was included in general and administrative expenses.

In December 2010, a U.S. subsidiary purchased the stock options granted to its directors, officers and employees. The purchase prices were under their estimated fair values at the purchase date and totaled ¥1,949 million.

As a result, the Company recorded a loss on cancellation of treasury stock acquisition rights of ¥1,707 million was recognized for the year ended March 31, 2011.

25. Amounts per Share

Amounts per share as of and for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011	2012
	(Yen)		(U.S. dollars)
Net income (loss) – basic	¥ 3.60	¥ (7.60)	$ 0.04
Net assets	272.21	274.05	3.31

Diluted net income per share for the year ended March 31, 2012 is not disclosed due to there were no dilutive shares.

Net income (loss) per share for the years ended March 31, 2012 and 2011 were calculated on the following basis:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Net income (loss)	¥ 436	¥ (922)	$ 5,308
Amounts not available to shareholders of common stock	—	—	—
Net income (loss) attributable to shareholders of common stock	¥ 436	¥ (922)	$ 5,308
Average number of shares outstanding during the year (Thousands of shares)	121,342	121,381	—

Net assets per share as of March 31, 2012 and 2011 were calculated on the following basis:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Net assets	¥ 33,293	¥ 33,520	$ 405,073
Amounts deducted from net assets :			
Stock acquisition rights	—	—	—
Minority interests	(265)	(263)	(3,228)
Net assets attributable to shareholders	¥ 33,027	¥ 33,256	$ 401,845
Number of shares outstanding at the end of the year (Thousands of shares)	121,329	121,351	—

26. Significant Subsequent Events

There were no significant subsequent events for the years ended March 31, 2012 and 2011.

Independent Auditor's Report

The Board of Directors
Sanken Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Sanken Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanken Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

June 22, 2012
Tokyo, Japan

Ernst & Young ShinNihon LLC

Board of Directors

As of June 22, 2012

Directors and Auditors

Director, President	Sadatoshi Iijima
Directors	Takashi Wada Masao Hoshino Akira Ota Kazunori Suzuki Dennis H.Fitzgerald
Standing Statutory Auditor	Tatsuo Okino
Statutory Auditors	Hideki Kagaya Hiroshi Ishibashi Mikihiko Wada

Corporate Officers

Executive Vice President	Takashi Wada
Senior Vice Presidents	Masao Hoshino Akira Ota
Senior Corporate Officers	Kinji Kudo Mitsuo Ueki Yoshihiro Suzuki Kouichi Shimura Kazunori Suzuki
Corporate Officers	Masahiro Sasaki Youkou Suzuki Yukiyasu Taniyama Kiyoshi Murakami Shigeru Ito Hiroyuki Ouchi Takeshi Soroji Kiyonori Orito

Investor Information

As of March 31, 2012

Company name	Sanken Electric Co., Ltd.
Founded	September 5, 1946
Headquarter	3-6-3 Kitano, Niiza-shi, Saitama-ken 352-8666, Japan Phone : +81-48-472-1111 Facsimile : +81-48-471-6249
Employees	9,788
Common stock	Authorized : 257,000,000 shares Issued : 125,490,302 shares
Shareholders	16,348

Distribution by type of shareholders		
	Financial Institutions	39.11%
	Individuals	33.74%
	Foreigners	17.85%
	Other	9.30%
Distribution by number of shares owned		
	1,000,000 or more	39.87%
	100,000 or more	24.39%
	10,000 or more	13.30%
	Less than 10,000	22.44%

Principal Shareholders

Shareholders	Number of shares held (in thousands)	Percentage of voting rights
The Master Trust Bank of Japan,Ltd. (Trust Account)	12,430	10.24%
Japan Trustee Services Bank, Ltd. (Trust Account)	9,207	7.58%
Saitama Resona Bank, Limited	6,011	4.95%
Juniper	3,045	2.50%
International Rectifier Corporation	2,500	2.06%
Nomura Asset Management U.K. Limited Sub A/C Evergreen Nominees Ltd.	1,848	1.52%
Cedar	1,796	1.48%
The Hachijuni Bank, Ltd.	1,556	1.28%
NIPPONKOA Insurance Co., Ltd.	1,443	1.18%
Trust & Custody Services Bank, Ltd. (Annuity Trust Account)	1,391	1.14%

Note : The Company holds 4,160,433 (3.31%) shares of treasury stock but is excluded from the principal shareholders listed above.

Bonds

Type of bonds	Date of issue	Balance of bonds (in Yen)
The 4th unsecured bonds	September 18, 2008	20,000,000,000

Sanken Electric Co., Ltd.
3-6-3, Kitano, Niiza-shi, Saitama-ken 352-8666, Japan
Tel : 81-48-472-1111
Fax: 81-48-471-6249
http://www.sanken-ele.co.jp/en/

MIX
Paper from responsible sources
FSC® C017219
www.fsc.org
VEGETABLE OIL INK
Printed in Japan